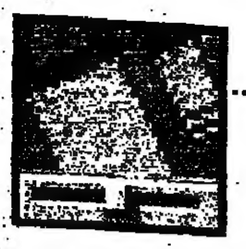
هكذا من الأصل

FINANCIAL TIMES



Online success
Winners on the Internet
Page 13

Clean machines
Robots in electronics
Page 10

Wider ambitions
Branching out in Salt Lake City
Page 5

Gerhard Cromme
Making things happen at Krupp
Page 16

World Business Newspaper THURSDAY MARCH 14 1996

Murdoch's Star TV edges closer to Chinese cable deal

Rupert Murdoch's (below) lossmaking Star TV network, in its latest effort to break into China, is understood to be close to agreement with a Hong Kong-based company with high level People's Liberation Army connections. Star TV is hoping to involve either China Central Television or China's Ministry of Radio, Film and Television in a three-way deal with Carefree Development, an oil trading company, to establish a cable network possibly to be known as Phoenix. Page 14; Beijing finds an old ally in Moscow, Page 7; Murdoch learns to be a partner, Page 17

Modest growth in US economy: The US economy grew modestly in January and February without putting upward pressure on inflation, the Federal Reserve said in a reassuring "beige book" analysis of regional trends. Page 4; Currencies, Page 25; World Stocks, Page 34

Unilever unveiled a new senior management structure designed to make the Anglo-Dutch consumer goods group more nimble in mature and developing markets. Page 15; Lex, Page 14

GPA, the Irish based aircraft leasing company, has completed the sale of $4.05bn worth of bonds as part of a large securitisation refinancing, in what bankers describe as the second largest non-government US bond issue ever conducted. Page 18

Reed reveals $5bn acquisition potential: Reed Elsevier, the Anglo-Dutch publishing and information group, said it was keeping a close eye on a "wish list" of possible acquisition targets and has around $5bn available this year if the right opportunity came along. Page 22; Lex, Page 14

Overhauled SBC lifts income 30%: Two big acquisitions and strong profits from private banking helped Swiss Bank Corporation, Switzerland's third-largest financial services group, lift its 1995 net income 30 per cent to SFr1.05bn ($872m). Page 15; Warburg results, Page 18

Italian football heads for strike: Italy, where national pride and political fortunes often seem inextricably linked to soccer prowess, is heading towards its first soccer players' strike. Page 2

Judge arrest linked with Berlusconi camp: The ramifications of Tuesday's arrest of a senior Rome judge by Milan anti-corruption magistrates spread to engulf key figures linked to former Premier Silvio Berlusconi and his Forza Italia movement. Page 3

Hoechst reports strong increase: Hoechst reported a strong rise in profits and a higher dividend, following the trend set on Tuesday by BASF and Bayer, its two German chemical rivals. Page 17

Société Générale, the French banking group, announced net income for 1995 down 1 per cent at FFr3.8bn ($740m), while relaunching its attack on the state-backed rescue plan for its rival Crédit Lyonnais. Page 18

French aerospace merger still grounded: The proposed merger between Aérospatiale and Dassault, France's two aircraft makers, has run into trouble less than a month after it was announced by the French government. Page 2

Car named as chief environmental villain: The car emerged as the chief villain while industry was a hero in the picture of Britain's environment painted by official indicators. Page 8; Industry hopes rise, Page 2

Pressure to remove IGC block: The EU presidency and the Commission president increased pressure on France and Britain to stop trying to block a European parliament presence at this month's intergovernmental conference on the future of the Union. Page 2

Polish film director dies: The Polish film director Krzysztof Kieslowski has died of a heart attack aged 54. Kieslowski won recognition with his *Three Colours* trilogy, of which *Red* brought him an Oscar nomination last year.

Cricket World Cup: Sri Lanka were awarded a place in the final when their match against India in Calcutta was halted as the crowd invaded the field and hurled bottles and other objects on to the ground. Sri Lanka had made 251-8 in their 50 overs while India were struggling at 120-8 in the 35th over when the match was stopped. The West Indies play Australia in the second semi-final today.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,567.27	(-16.62)
NASDAQ Composite	1,086.19	(+13.14)
Europe and Far East		
CAC40	1,944.30	(+12.23)
DAX	2,426.38	(-8.59)
FT-SE 100	3,640.3	(+0.8%)
Nikkei	19,734.70	(-215.57)

■ US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.072%
Long Bond	91 9/16
Yield	6.646%

■ OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	95½	(95⅛)
France: 10 yr OAT	103.82	(103.51)
Germany: 10 yr Bund	95.95	(95.75)
Japan: 10 yr JGB	98.363	(same)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$19.11	(18.76)

■ GOLD

New York: Comex		
(Apr)	$397.7	(397.5)
London:		
close	$396.75	(396.4)

■ DOLLAR

New York: lunchtime		
£	1.52425	
DM	1.47305	
FFr	5.04525	
SFr	1.19	
Y	105.205	
London:		
£	1.5234	(1.5199)
DM	1.4718	(1.4805)
FFr	5.0432	(5.0678)
SFr	1.189	(1.1992)
Y	105.3	(105.845)

■ STERLING

DM	2.2422	(2.2501)
Tokyo close:	Y 105.35	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 16.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Bulgaria	Lev130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250		
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20		
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00		
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750		
Finland	FM15.50	Kuwait	Fils.650	Portugal (mland)	Es240	Turkey	L70,000		
France	FFr11.60	Lebanon	LL3,000			UAE	Dh12.00		

Gunman massacres 16 children in Scottish school

Prime minister describes shooting as 'mad and evil act'

Financial Times Reporters

Sixteen small children and their teacher were murdered by a deranged gunman at a primary school in a Scottish market town *yesterday. Another 15 children* were injured, some of them seriously.

The gunman, named by police as *Thomas Hamilton, a former* Scout leader with a grudge against the movement, then turned one of his four handguns on himself and was also found dead at the scene. Local residents who knew Hamilton said he was an unpopular loner, who had a fascination for guns.

The 29 five and six-year-old children were playing in the gymnasium of the primary school at Dunblane, in Perthshire, 30 miles from Glasgow, when Hamilton burst in at about 9.15am and opened fire.

In two or three minutes 15 of the children died in the hail of bullets. One died later in hospital and almost all the others were wounded, some seriously.

Their teacher, Mrs Gwenne Mayor, a 44-year-old mother of two grown-up daughters, was also shot dead.

As news of the massacre spread through the town, parents rushed to the school find out if their children were safe. Many of them had to be told appalling news; others whose children were unscathed picked them and took them home, clinging to them with relief.

Police, who sealed off the school, faced the appalling task of giving the news to the parents of the children who had died and allowing others to take their children home. Headmaster Ron Taylor was described as a hero by Scottish secretary Mr Michael Forsyth and his Labour shadow Mr George Robertson for his work in helping the traumatised victims of the incident.

Mr John Major, the prime minister, who was informed of the incident as he attended the anti-terrorism summit in Egypt, described the massacre as a "mad and evil act". He added: "It is beyond belief that so many young lives can have been so brutally ended in this way."

Mr Forsyth, who had flown up from London, was visibly distraught. "I can't find words to express the horror of what has happened here," he said. "Dunblane is the last place where you would expect a tragedy of this kind to take place."

Mr Forsyth is the local MP, and his political opponent Mr Robertson lives in Dunblane and said that his own [grown up] children had all been at the primary school where the "act of unspeakable brutality" took place. Even some of the journalists who crowded into the centre of the town found it hard to control their grief.

At Westminster, MPs were shocked by the shooting tragedy but most said it was too soon to consider changing the gun laws or tightening school security.

The most notorious lone gunman massacre in Britain before was perpetrated by gun fanatic Michael Ryan, who killed 16 people and injured 14 others in Hungerford, Berkshire, in August 1987.

Tough law fails, Page 8

Liggett offers deal to settle damages claims by smokers

By Richard Tomkins in New York

Liggett, the US tobacco company, yesterday stunned the US tobacco industry by offering to reach a multi-million-dollar out-of-court settlement with anti-tobacco litigants.

If the landmark deal goes ahead, it will be the first time any US tobacco company has paid money to settle an anti-tobacco lawsuit. It could set a dangerous precedent by breaching the industry's united front against the anti-tobacco lobby.

The attorney-general of Minnesota, one of five states suing the industry to recover smoking-related healthcare costs, said: "The Liggett offer is the first promising crack in the dam of the tobacco companies' defence. It exposes the profound vulnerability of the entire industry."

The Liggett formula would settle the two main types of litigation pending against the US tobacco industry: the so-called Castano case, which seeks damages on behalf of all present and former smokers who have been addicted to nicotine, and lawsuits from individual states seeking to recover the costs of treating smoking-related illnesses.

The proposal stipulates that Liggett and any companies that merged with it should pay 5 per cent of pre-tax profits up to $50m a year over 25 years to settle the Castano case. To settle the state lawsuits, Liggett would pay 2 per cent to 7 per cent of pre-tax profits, depending on how many states joined the action.

The total cost to US cigarette manufacturers if all companies accepted the formula would be more than $15bn over the next 25 years. But other US tobacco companies yesterday angrily rejected the idea of a settlement, saying they intended to fight and win all pending legal claims.

On the New York Stock Exchange, Philip Morris's share price was down $2 at $99⅝ in early trading, while RJR Nabisco's was flat at $34⅛. In London, shares in BAT Industries, parent of Brown & Williamson Tobacco, the third biggest US tobacco company, closed 8p down at 505p.

Background	Page 4
Editorial Comment	Page 13
Lex	Page 14

Liggett, which makes Chesterfield and a range of cut-price cigarettes, is controlled by Mr Bennett LeBow, the US corporate raider who is trying to seize control of RJR Nabisco, the second biggest US tobacco company. Mr LeBow wants to break up the groupby spinning off its Nabisco food business to shareholders.

His proposed deal with anti-tobacco litigants was yesterday seen as an attempt to improve his chances of triumphing over RJR Nabisco by removing its main objection to a spin-off – the risk that anti-tobacco litigants would try to block it.

Under the plan, the terms of the settlement would apply to any company that merged with Liggett (excluding Philip Morris, the biggest US manufacturer, which is much more profitable than the rest).

The cost to Liggett, which made only about $11m in pre-tax profits last year, would be small. But Ms Diana Temple, an analyst at Salomon Brothers, the Wall Street investment house, said the annual cost to Philip Morris, RJR Nabisco, BAT and Loews would be $400m, $120m, $45m and $60m a year respectively.

Pushing for peace: Egyptian president Hosni Mubarak guides Bill Clinton, left, and President Boris Yeltsin of Russia to a session of the anti-terrorism summit in the Red Sea port of Sharm el-Sheikh. Summit leaders yesterday agreed to crack down on terrorist networks as part of an international effort to salvage the Middle East peace process thrown into turmoil by recent suicide bombings in Israel. Report, Page 14; Editorial Comment, Page 13 Picture: AP

World Bank asked to approve debt plan

By Michael Holman in London and Patti Waldmeir in Washington

The World Bank board will today be asked to approve a joint plan with the International Monetary Fund which provides for a comprehensive resolution of the external debt problems faced by the world's poorest countries.

The initiative, supported in a memorandum by Mr James Wolfensohn, the bank's president, and set out in a 15-page paper, suggests ways to reduce all external debt – bilateral, commercial and multilateral – to what it calls sustainable levels.

The plan marks the first time the two institutions have put forward a joint approach to debt, and its confidential proposals will be put to the IMF board next Wednesday. The boards' views will determine their stance at their spring meetings next month, when poor country debt is on agenda.

The World Bank yesterday expressed "deep concern" that the proposal had become public before being cleared by the two boards, but confirmed that the paper would be discussed today.

Should the scheme win approval by the two boards, it could go into effect towards the end of this year. At least eight

Continued on Page 14
Debt burden lies heavily, Page 6

Anglo American buys Lonrho stake in surprise move

By Kenneth Gooding, Mining Correspondent

Anglo American Corporation, South Africa's biggest company, surprised its rivals in the mining industry yesterday by buying 5.9 per cent of Lonrho, the UK-based conglomerate, for the equivalent of £91m ($139m).

The holding is being sold by Mr Dieter Bock, Lonrho's chief executive, who acquired the shares only this week from Mr Tiny Rowland, his predecessor and founder of the group, at the same price of 200.39p.

Anglo, which is being advised by SBC Warburg, has also been given first right of refusal over Mr Bock's remaining 18.5 per cent of Lonrho, whose shares rose in London after the news by 8p to close at 202p.

Lonrho is planning to demerge its mining interests soon and analysts suggested the deal was a pre-emptive strike by Anglo to ensure no rival would snatch them. Gencor, another big South African group, is known to be interested, and Mr Rowland said it recently made an offer for his Lonrho shares.

Lonrho's mining interests include 37 per cent of Ashanti Goldfields of Ghana, one of the world's few 1m-ounce-a-year producers, and 72 per cent of a South African platinum company.

Mr Julian Ogilvie Thompson, Anglo's chairman, said his group had no intention of making an offer for the rest of the Lonrho shares. No such undertaking had been given in respect of the mining assets but Anglo had no plans to bid for these when they were demerged, he said.

Analysts said the way was open for Anglo to increase its holding in the demerged mining operations, possibly buying from Mr Bock.

Mr Bock said he had already made clear he would concentrate on Lonrho's non-mining interests after the demerger. "I have no intention of disposing of any of my core holding of 18.5 per cent of Lonrho in the meantime."

Mr Ogilvie Thompson said he hoped the Lonrho shareholding, which he called "an important long term investment for Anglo, complementing the group's existing African interests", would open the way for joint ventures with Ashanti. He had telephoned Mr Sam Jonah, Ashanti's chief executive and a Lonrho director, to tell him of the purchase and this was "well received".

Lonrho is hoping to merge its platinum operations with those of Impala, a Gencor affiliate, to produce the world's biggest platinum group. But the deal is being delayed by a European Commission investigation.

Anglo American already has a substantial stake in Rustenberg Platinum, at present the world's largest producer.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

French aerospace merger remains grounded

The proposed merger between Aérospatiale and Dassault, France's two aircraft makers, has run into trouble less than a month after it was announced by the French government, writes Michael Skapinker, Aerospace Correspondent.

The "pilot committee" of the two companies set up to produce a merger plan by the end of June has not been able to start its work because Dassault executives have refused to attend. "Nothing has moved. There has been no progress whatsoever," one manager said yesterday.

Aerospace executives believe Mr Serge Dassault, the company's chairman, is resisting a merger in which Aérospatiale would play the leading role. Dassault is profitable; Aérospatiale is not. One of Dassault's demands is thought to be the removal of Mr Louis Gallois, Aérospatiale's chairman.

The French government remains anxious for the merger to go ahead. Mr Charles Millon, the defence minister, warned earlier this week: "Mr Dassault must remember that his principal customer is the state."

Mr Gallois has said the June 30 deadline for producing a merger plan is "tight but tenable". Aérospatiale refused to comment yesterday on the difficulties with Dassault.

The merger plan was supposed to have set out how the companies could be united into a single group within two years. Aérospatiale is a leading partner in Airbus Industrie, the European aircraft manufacturing consortium, and also makes France's nuclear missiles. Dassault makes military jets such as the Mirage and the Rafale.

Failure to produce a merger between the two companies would be a blow to the government's plans to consolidate the country's aerospace and defence industries. It proposed the merger last month at the same time as announcing the privatisation of the Thomson electronics group. Mr Alain Juppé, the prime minister, told the National Assembly he wanted "to restructure the arms industry around a civil and military aeronautic pole [centred on Aérospatiale-Dassault] and a second electronics pole constituted around a privatised Thomson".

The government said it saw the moves as the start of a consolidation of Europe's aerospace and defence industries, with French companies playing a central part. The government objected to talks between Thomson-CSF, the Thomson defence subsidiary, and GEC of the UK because it wanted French companies to consolidate first. The ending of the talks with GEC was one of the reasons behind the resignation last month of Mr Alain Gomez, the president of Thomson SA, the holding company.

Aerospace and defence groups in Britain and Germany have also said they see the consolidation plans in France as the prelude to Europe-wide restructuring.

France reaffirms its belief in two-speed European Union

By Andrew Jack in Paris

France yesterday outlined its belief in a two-speed European Union with power concentrated in national parliaments and the council of ministers.

In a policy statement ahead of the inter-governmental conference in Turin at the end of this month, Mr Alain Juppé, the prime minister, called for reform of EU institutions and ruled out creation of a "super-European state".

Addressing European centre-right politicians in Paris, he stressed the need to relaunch economic growth in the continent and achieve a single currency to consolidate growth in the member states, ensure the defence of the region and put an end to "crisis and conflicts" within and on the borders of Europe.

He affirmed his belief in the importance of a Europe ultimately enlarged to the countries of the former Eastern bloc, alongside an inner Union of those of the existing 15 member states linked through a single system of law.

Mr Juppé said there should be a "second circle" within the existing EU of "a small number of states around France and Germany", which wanted to move further or more quickly than others on subjects such as defence and a single currency.

He said members of the EU should not participate *à la carte* simply in those elements which interested them, and stressed that Europe was about a regime of laws and obligations applicable to all countries.

The political centre of gravity, he stressed, should not rest in the Commission and the European Parliament, but rather in the Council of Ministers and in national parliaments.

"For us Gaullists, the nation-state is more than ever the place which is both essential and central to implementing the democratic contract, the social and political focus between the citizen and his representatives," he said.

The existing structure of the European Council, with its rotating presidency, was more and more showing its limitations, he said. He proposed the creation of a "super secretary general of the council" in charge of foreign policy and common defence policy.

He also called for a simplification of the way the European Parliament works, saying that the complexity of EU legislation threatened the democratic transparency of the region.

Mr Juppé stressed the idea of a common defence force, with each of the five largest EU countries making available 50,000-60,000 soldiers able to act autonomously or in co-operation with the US through Nato.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-February 1996

	Volume (Units)	Volume Change(%)	Share (%) Jan-Feb 96	Share (%) Jan-Feb 95
TOTAL MARKET	2,213,300	+8.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group	369,548	+15.5	16.7	15.7
– Volkswagen	249,187	+16.6	11.3	10.5
– Audi	60,824	+8.2	2.7	2.8
– Seat	49,220	+17.7	2.2	2.1
– Skoda	10,317	+23.5	0.5	0.4
Fiat group"	288,308	+13.6	13.0	12.5
– Fiat	227,532	+13.7	10.3	9.8
– Lancia	33,198	+53.3	1.5	1.1
– Alfa Romeo	26,693	-15.0	1.2	1.5
General Motors	280,602	+7.5	12.7	12.8
– Opel/Vauxhall	269,005	+8.0	12.2	12.2
– Saab	9,786	+1.2	0.4	0.5
PSA Peugeot Citroen	271,873	+8.9	12.3	12.3
– Peugeot	161,494	+12.3	7.3	7.1
– Citroen	110,379	+4.4	5.0	5.2
Ford group	265,424	+6.8	12.0	12.2
– Ford	262,633	+7.1	11.9	12.1
– Jaguar	2,791	-13.4	0.1	0.2
Renault	219,047	-0.9	9.9	10.9
BMW group	127,576	+1.5	5.8	6.2
Rover	67,143	+11.4	3.0	3.0
BMW	60,433	-7.7	2.7	3.2
Mercedes-Benz	78,983	+14.5	3.6	3.4
Volvo	31,471	-20.7	1.4	1.9
Nissan	60,245	+9.8	2.7	2.7
Toyota	52,403	+6.3	2.4	2.4
Honda	32,351	+9.4	1.5	1.5
Mazda	27,588	-8.8	1.2	1.5
Mitsubishi	23,379	+22.1	1.1	0.9
Total Japanese	223,789	+7.9	10.1	10.2
Total Korean	36,518	+91.0	1.6	0.9
MARKETS:				
Germany	539,600	+10.8	24.4	24.0
Italy	364,100	+2.7	16.5	17.4
France	361,900	+17.7	16.4	15.1
United Kingdom	350,800	+2.1	15.8	16.9
Spain	129,100	+11.5	5.8	5.7

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Pressure to remove IGC block

By Neil Buckley in Strasbourg

The EU presidency and the Commission president yesterday increased pressure on France and Britain to stop trying to block a European parliament presence at this month's intergovernmental conference on the future of the Union.

Ms Susanna Agnelli, foreign minister of Italy, which holds the EU presidency, also outlined a firmly integrationist agenda for the IGC – in contrast to the cautious positions taken by Britain and France in the past two days.

She told MEPs in Strasbourg that Italy would "not accept a lowest common denominator position" on parliamentary involvement in the conference. It would continue to press for the decision of last December's European Council meeting in Madrid to be fulfilled "both in spirit and to the letter". That decision said the parliament should give its view on issues in the IGC and be briefed regularly and in detail.

Mr Jacques Santer, the Commission president, told the parliament it was important, "after the Maastricht experience, to adopt the most transparent and democratic approach to the review of the [European] treaties. The best way to do this is to ensure parliament is effectively involved in the IGC."

Last weekend Britain and France blocked agreement at a foreign ministers' meeting in Sicily on an Italian compromise that would have required parliament to be kept closely informed on the progress of IGC talks.

In a statement of the Italian position two weeks before the IGC is due to open in Turin, Ms Agnelli said European integration was "necessary to render our society more solid", while its enlargement was a "moral duty and objective requirement".

She added that majority voting in the Council of Ministers should become the "general rule", except for issues of a "constitutional character" and suggested "different degrees" of European integration were possible – an "avant-garde" of member countries moving quickly towards integration would be a "logical" part of the process.

Mr Santer emphasised the similarities between the Commission's position on the IGC and that of parliament, adopted after a four-hour debate – in which a succession of MEPs called for representation at the IGC – and two hours of voting on 233 amendments.

A resolution setting out parliament's priorities for the conference, including an enhanced role in EU decision-making, was adopted by 267 votes to 120, with 71 abstentions.

Sweden yesterday organised a show of concerted action by smaller members of the European Union in an attempt to force the integration of employment policy into the EU's ground rules at the IGC, writes Hugh Carnegy in Stockholm.

It invited all members of the EU except Britain, France, Germany and Italy to a two-day meeting in Stockholm which agreed that the IGC should incorporate job creation objectives to help tackle unemployment, currently affecting some 18m people. Only Ireland and the Netherlands were unable to attend, although they are understood to back the initiative.

"There is clear support in this group for amending the [Maastricht] treaty [to include employment provisions] and a dominant view is that a separate chapter on employment would be the best way of achieving it," said Mr Gunnar Lund, Sweden's representative on the "reflection group" which prepared the IGC agenda and the host of the Stockholm meeting.

Although opinions vary between the four biggest EU members on such an initiative, they have been hesitant about backing incorporation of employment provisions into the revised treaty. Mr Lund denied the meeting was intended to outflank the big countries on the issue, but he said Sweden wanted to ensure discussion moved on to the substantive issue of how to incorporate employment provisions into EU policy rather than to remain stuck on the question of whether it was desirable.

He was at pains to stress that the Swedish initiative was not meant to "interfere with" the conditions set for monetary union.

Industry hopes rise with recovery in west European new car market

An unexpected recovery in west European new car markets accelerated last month. Carmakers now believe they may have been too pessimistic about the industry's prospects this year, writes John Griffiths.

European Automobile Manufacturers' Association statistics show registrations rose 10.2 per cent to 1,041,500, compared with 945,000 in February last year. This lifted registrations for the first two months of the year by 8.8 per cent to 2,213,300.

The industry had viewed January's 6.7 per cent year-on-year rise as a "blip", expecting total sales would rise by only about 3 per cent this year. And yesterday the ACEA pointed out that there was an extra sales day last month compared with the previous February. However, this would not in itself account for more than some 4 per cent of the increase.

In Germany, where unemployment has just crossed the 4m threshold, registrations last month rose 9.5 per cent to 264,000. For the first two months as a whole registrations in Germany, by far the region's single largest new car market, were 10.6 per cent higher than a year ago.

Among the larger markets, recovery is being led by France where registrations last month jumped by 17 per cent. Spain was also up strongly last month, by 13.7 per cent year-on-year, while Belgium, Finland, Ireland and Norway all saw rises in excess of 20 per cent. Volkswagen further strengthened its market leadership, while Fiat has begun to benefit substantially from new model programmes.

Volga Germans feel chill wind from the Rhine

Judy Dempsey reports on the settlers welcomed by Catherine the Great, persecuted by Stalin and now SPD targets in poll campaigns

Katarina Ertl has hard, bony hands. As a young woman she worked on a *kolkhoz*, a Soviet collective farm in Saratov on the banks of the the river Volga in southern Russia.

Mrs Ertl, a feisty 82-year-old, arrived in Germany six months ago with her son and daughter-in-law. Like tens of thousands of others in the former Soviet Union or eastern Europe, she is an *Aussiedler* – an ethnic German who has the legal right to live in Germany even though her ancestors left the country in the 18th century.

"My ancestors lived there for centuries," she recalls in fluent German. "But I never felt at home. My home is Germany. It is my fatherland."

Last year 217,898 *Aussiedler* arrived in Germany – 209,409 of them from the former Soviet Union, mainly Kazakhstan. Among the previous year's arrivals, 22 per cent were over 60 years of age, 37 per cent between 20 and 45.

For decades, it was taboo for any politician to question the automatic right of *Aussiedler* to settle in Germany. But in recent weeks, in an extraordinary development, Mr Oskar Lafontaine, leader of the opposition Social Democrats (SPD), has suggested it is time to restrict the automatic right of the *Aussiedler* to "return home".

He pointed to the additional burden placed on the social welfare system at a time when the official number of unemployed is more than 4.3m. Last year, the federal authorities allocated DM4bn (£1.7bn) to cover retraining, social welfare costs and housing assistance for the *Aussiedler*.

Since 1950 more than 3.5m *Aussiedler* have settled in Germany. Successive post-war governments, bound by the Constitution, kept the door open to those ethnic Germans deported by Stalin, those who fled eastwards from Hitler and those caught on the wrong side of the political divide after 1945.

But the political climate is changing as the SPD and other parties use the *Aussiedler* debate as a populist weapon to win votes in pending state elections, and as a move towards the introduction of an immigration law.

Mrs Ertl has little interest in this political debate. "The politicians do not understand what it's like to be a German who is not allowed to be German," she says. "They don't understand what we have gone through."

The Ertls, like thousands of other Germans, mostly farmers and craftsmen from regions including Baden-Württemberg and West Prussia, settled in the Volga region at the invitation of Catherine the Great – herself German-born – in the 1760s. In a move to develop Russia's backward agricultural sector, the empress granted the ethnic Germans privileges – including exemption from taxes – and considerable political autonomy.

The privileges were gradually eroded along with the ethnic Germans' status as free peasants in a country dominated by serfdom. "And then came Stalin," said Mrs Ertl. The Volga Germans, like the Crimean Tatars, Chechens, Ingush and other minorities, were deported *en masse* to Siberia and Central Asia in 1941. "Stalin thought we were Nazi collaborators. We were deported to Kazakhstan. There, we were often called fascists. I never felt at home," said Mrs Ertl, who refused to give up speaking her mother tongue.

The parents of Paul Heilfuss had been deported to Kazakhstan as well. Paul, now 39, decided in 1991 he did want not to remain there. "We had no real problems. My wife, Lydia, was a bookkeeper and I was a locksmith. We had good jobs.

"But after the break-up of the Soviet Union, the Kazakh government became nationalist and the economy got worse. All my German friends started to leave. We decided to follow them, bringing our parents and four children with us."

The Heilfuss family arrived in Germany in December 1994. Since then, they have been in a transit camp in the south of Berlin, where they learn German, retrain and wait to be given an apartment of their own. "It's not easy here. You have to start all over again. I want to work. But first I have to improve my German," said Paul. He receives generous federal assistance – a monthly DM1,050 for the four children and an additional DM900 for himself and his wife.

But unlike Mrs Ertl, Paul and Lydia Heilfuss often feel homesick. "Your home is where you were born. But we will have to adapt. Things will get better once we can work. We did this for the children," said Paul.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Players' union takes dispute with soccer authorities to the brink

Italian football heads for strike

By Andrew Hill in Milan

Italy, where national pride and political fortunes often seem inextricably linked to soccer prowess, is heading towards its first ever soccer players' strike.

Soccer and sporting authorities meet today in Rome in emergency session in an attempt to avoid the abandonment of this weekend's fixtures in Italy's Serie A – the top division in the league, which is followed by soccer fans around the world.

Italian strikes in all sectors are often called off at the last moment, and the authorities point out that players have threatened not to turn out several times in the past, only to be persuaded on to the field before the kick-off.

But Italy's soccer players' union, the AIC, seems bent on taking this dispute to the brink, after months of discontent about the league authorities' alleged failure to consult players about decisions affecting their livelihood.

Gianluca Vialli, the Juventus striker and AIC committee member, has been the most prominent backer of a hard line. The involvement of him and other highly-paid players has begun to draw the fire of critics, who are trying to create an atmosphere of popular discontent similar to that which surrounded the recent long-running strike of US baseball stars.

Il Giornale, the Milan-based daily newspaper, yesterday ran two pages on the issue, mostly critical, under the headline "The millionaire strikers" – a pun which works only in English – drawing attention to Vialli's L8m-a-day (£3,350) salary. *Il Giornale* happens to belong to the brother of Mr Silvio Berlusconi, the former Italian prime minister who also owns league-leaders AC Milan.

The star players claim to be also standing up for their less famous colleagues in the lower leagues, including about 200 who have still not been paid by a special federation fund after their clubs went bankrupt two years ago.

The authorities may now be prepared to offer players a place on the national federation board, but the AIC has turned down an invitation to today's meeting.

The players have a wider list of demands, covering issues such as the application of the Bosman judgment by the European Court, freeing up the transfer of players across EU borders. The AIC wants the same principles to be applied to transfers within Italy.

Newspapers pointed out yesterday that a one-day strike could cost a star player like Roberto Baggio of AC Milan as much as L37m – quarter of his monthly salary – but it would also hit the pools system, which pumps money into the game.

Juventus star Gianluca Vialli: taking a hard line *Allsport*

EUROPEAN NEWS DIGEST

Spain cuts key interest rate

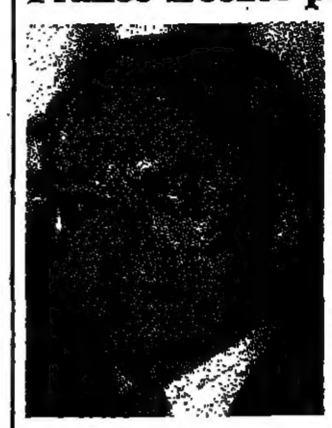
The Bank of Spain has reduced its key intervention rate to 8.85 per cent from 8.75 per cent in advance of a fall in the rate of inflation published yesterday. The reduction signalled the central bank's confidence that Mr José María Aznar, the centre-right leader, will be able to obtain a governing majority over the coming weeks after an inconclusive outcome to this month's general elections.

The cut brought the official rate down to its lowest level since the bank tightened its monetary policy following the peseta's 7 per cent devaluation a year ago.

The decision anticipated the publication of February's price index, which showed headline year-on-year inflation falling from 3.9 per cent in January to 3.7 per cent last month. Underlying inflation eased from 4.3 per cent year on year in January to 4.2 per cent last month.

Registered unemployment figures for February, also issued yesterday, showed a slight rise in the jobless total. An additional 5,124 registered as out of work last month to bring the total up to 2.43m – 148,585 fewer than in February 1995 and 15.44 per cent of the labour force. *Tom Burns, Madrid*

France freezes public spending



The French government yesterday announced a FFr20bn ($4bn) freeze in budgets allocated across all ministries for 1996 as part of its plan to maintain public spending targets. Mr Jean Arthuis (left), economics minister, said the freeze would cover all departments but would not affect civil servants' salaries, social expenditure or debt payments. He said it was imposed to maintain the budget deficit for 1996 at below FFr287bn. The government also indicated yesterday that tax receipts for 1995 would fall by 0.4 per cent from the level of FFr296bn collected in 1994. It said this reflected a substantial increase in tax deductions, including those for professional expenses and household help. By contrast, value-added tax receipts rose by 2.6 per cent last year before the effects of the 2 per cent increase in the tax. *Andrew Jack in Paris*

Mercedes plans third shift

Motor group Mercedes-Benz said yesterday it had reached a landmark agreement with its workforce in southern Germany which would permit the company to work three shifts instead of two and create the "conditions for production which is competitive on a global basis". In return for concessions from the workforce the company said it would guarantee 17,000 jobs at four plants near its headquarters in Stuttgart until 2000 "in so far as this is possible on the basis of current plans".

The agreement comes as management and workforces across Germany are discussing what can be done to safeguard jobs as part of the so-called "alliance for jobs", an initiative launched by the IG Metall engineering union last autumn. The alliance itself, however, seemed to have come to a standstill in recent days after employers complained that they could not create jobs if workers were pushing for pay rises of up to 6 per cent.

Union representatives at Mercedes said workers would also be prepared to give up their hourly five-minute break in so far as this was possible through such measures as group working. Mr Helmut Lense, the head of the employee council at the Untertürkheim plant, said the agreement was a model for other Mercedes plants in Germany. *Michael Lindemann, Bonn*

Mitterrand book ban may end

The book written by the late François Mitterrand's doctor, *The Great Secret*, will go back on sale in a month's time unless the former president's family lodges a new complaint, a French court ruled yesterday.

The Paris appeals court upheld an order in January banning sales of the book written by Dr Claude Gubler two days after it was published, following a complaint from the Mitterrand family that it represented a violation of their privacy.

Mrs Danielle Mitterrand, wife of the late president, said recently that she had not intended the book to be banned – a tactic never adopted by François Mitterrand against critical books written while he was alive. The book said that Mitterrand's cancer had been diagnosed only months after his first election as president in 1981, and that latterly he was so obsessed with his illness that he could not carry out official functions. *Andrew Jack*

Slovenia rejects debt deal threat

The Slovenian government reacted angrily yesterday to the threat of legal action by the rump state of Yugoslavia (Serbia and Montenegro) aimed at halting its foreign debt deal with the so-called London Club of 400 commercial banks. It attacked the "irresponsible manoeuvres of the Serbian banks" and said that it would proceed as planned.

Slovenia is in the final stages of implementing an agreement with western banks which will extricate it from the problems of the debts amassed by former Yugoslavia and allow it to build an independent presence in international capital markets. On Tuesday the western banks received a letter from US lawyers representing the National Bank of Yugoslavia and three Serbian banks warning them against accepting the Slovenian bonds. *Kevin Done, London*

World Bank to admit Bosnia

The World Bank has agreed to admit Bosnia-Hercegovina to membership before the country pays off its share of the former Yugoslavia's debts and arrears to the organisation.

Following the precedent set for admitting Bangladesh in 1975, Bosnia's arrears and other debts owed to the bank will be consolidated into a new 30-year loan from the organisation, probably exceeding $550m. The World Bank traditionally does not participate in debt rescheduling agreements or allow countries to borrow from it if they are in arrears.

Bosnia is likely to become a member of the bank in the next few weeks, which should pave the way for it to receive around another $400m over the next four years from the International Development Association (IDA), the bank's soft-loan arm. Some members of the World Bank board were concerned that Bosnia would receive far more support per head of population than other recipients, although other members thought the Bosnians should receive even more from the scheme. However, it is not yet clear how much money IDA will have to distribute. *Robert Chote, London*

Romania removes bank's bosses

The Romanian central bank said yesterday it had sacked the president and other leading staff members of Dacia Felix, one of the largest Romanian commercial banks, and had banned them from working in the banking sector management for five years.

It also said it was stepping up its supervision of the bank and restricting its activities to a minimum.

In spite of warnings, the bank had continued to violate banking regulations, especially in its credit and foreign exchange operations. The central bank placed the bank under supervision last year and provided emergency loans after it experienced liquidity problems.

The bank, based in Transylvania, was founded in 1991 by entrepreneurs, including members of the Romanian National Unity party, the junior coalition partner in the government. Until last year the bank was regarded as one of Romania's most successful private businesses. *Virginia Marsh, Budapest*

Waigel tightens rein on public spending

By Michael Lindemann in Bonn

Waigel: talking tough during a Bundestag speech yesterday Reuter

Mr Theo Waigel, Germany's finance minister, yesterday capped the amount of money government departments are allowed to spend without his approval. His move is an effort to counteract an increase of up to DM14bn ($9.3bn) in the planned DM60bn budget deficit this year.

From tomorrow, spending decisions over a certain size will require Mr Waigel's personal approval. The threshold varies according to the type of expenditure, ranging from DM500,000 for administrative expenditure to DM5m for military procurement and construction projects.

The finance minister refused to say how much bigger the overrun on this year's budget deficit might be, but officials in Bonn have indicated that it could be DM14bn higher than the DM60bn forecast last autumn. Mr Waigel said he would only give new figures when the government reviewed tax revenues in May.

An increased budget deficit has become gradually more likely since the beginning of this year because the sudden slowdown in economic growth has depressed tax revenues while increasing welfare spending because of the dramatic rise in unemployment, which last week reached 4.27m or 11.1 per cent of the workforce, a post-war high.

The government has forecast economic growth of 1.5 per cent this year, down from earlier estimates of 2.5 per cent.

The cap on spending is a further embarrassment for Mr Waigel because it comes so early in the year, and just before important elections in three German states on March 24. The polls are billed as a test for Chancellor Helmut Kohl's government about half-way through its current term.

Mr Waigel was forced to introduce a similar cap on all expenditure above DM1m last October, a measure which saved the federal budget DM1.7bn.

The opposition Social Democrats (SPD) accused Mr Waigel of "cheating the voters" by failing to introduce a supplementary budget, a step which would give parliament a proper insight into the state of the federal budget.

"Stop the game of hide and seek and lay your cards on the table," Ms Ingrid Matthäus-Maier, the SPD's budget spokesman, told Mr Waigel during parliamentary question time yesterday afternoon.

The finance minister said he would persevere with what he described as "precise and steady" financial policies designed to ensure that Germany meets the 3 per cent budget deficit target permitted under the Maastricht criteria. However, the criteria include the entire public sector deficit, including expenditure at state and municipal level.

■ Mr Waigel yesterday announced plans to offer the state's 74 per cent stake in the mining company, Saarbergwerke, to Ruhrkohle for a symbolic one D-Mark to help both companies to develop further and to create competitive jobs, Reuter reports from Bonn.

He expected annual savings of around DM40m from the merger of Saarbergwerke and Ruhrkohle.

It would also strengthen employment prospects for the region, said Mr Waigel. The merger would guarantee that government aid would be better utilised towards helping create jobs.

Yeltsin widens net for scapegoats

By Chrystia Freeland and Robert Corzine in Moscow

Russian President Boris Yeltsin's search for political scapegoats appeared to intensify yesterday – just three months ahead of presidential elections – amid rumours that the defence minister, General Pavel Grachev, could soon be sacked and new allegations that leading reformers could be guilty of corruption.

Mr Anatoly Chubais, the architect of Russian market reforms who was dismissed from his post as deputy prime minister earlier this year, is again emerging as one of the chief victims of the new round of accusations.

In an internal Kremlin document, Mr Chubais was accused of verbally ordering that government funds be channelled through commercial banks. The private banks allegedly delayed onward payment, enriching themselves but at the same time creating the tremendous wage arrears that are one of the biggest sources of the government's low popularity.

The charge was made last month in a report for Mr Yeltsin prepared by Mr Nikolai Yegorov, the president's recently appointed hardline chief-of-staff.

Mr Evgeny Yasin, the minister of the economy and one of the few liberals left in the government, yesterday confirmed that Mr Yegorov's brief had accused leading reformers of corrupt actions. But he said that greater discipline within the government was needed and did not see Mr Yegorov's report as the beginning of a witch-hunt.

However, Mr Yasin, who was one of Mr Chubais' most reliable allies in the cabinet, also conceded that the Kremlin might be forced to make sacrifices to avert a communist victory in the the June presidential ballot.

"The stakes are so high that the president must take decisions even if they are unpleasant for specific people," Mr Yasin said.

Gen Grachev, the minister of defence, is emerging as another whipping boy. A senior presidential adviser yesterday offered little support for the beleagured general, telling reporters that he could "see 50 arguments for and 50 arguments against" sacking him. That lukewarm endorsement is likely to raise further questions about the future of Gen Grachev, who, as one of the architects of the disastrous war in Chechnya, has come under intense fire from political opponents who have suggested that the minister should be dismissed to improve Mr Yeltsin's re-election chances.

Itar-Tass, the state-controlled news agency, reported earlier this week that "Boris Yeltsin is being told more and more firmly that he cannot win the presidential elections with Grachev dragging the weight of Chechnya".

That political sideswipe followed a more direct hit from Mr Oleg Soskovets, the influential deputy prime minister who said over the weekend that an increasing number of advisers were urging Mr Yeltsin to sacrifice his unpopular defence minister ahead of the June presidential ballot.

The cabinet infighting has been intensified by growing fears within the government that the communists might win the presidential elections.

"I wouldn't say it (a communist victory) is inevitable, but the likelihood is pretty high," Mr Yasin said.

"We have to make very great efforts to win," he added.

Earlier this week, Mr Boris Nemtsov, the governor of Nizhny Novgorod region and one of the country's most prominent reformers, said a communist triumph was "unavoidable".

Milosevic's long march to Socialism

By Laura Silber in Belgrade

Serbian President Slobodan Milosevic is nothing if not flexible. Having played the card of Serb nationalism, then presented himself as a peacemaker in Bosnia, he has now donned another mantle from his past – the ideological Socialist.

Aided by his wife Mirjana Markovic, who never abandoned the Marxist camp, Belgrade's strongman is renouncing the "nationalist excesses" of the past and praising China as a model of authoritarian Socialism. And to judge by the latest signals from the shadowy world of Serbian politics, this tactic seems, so far, to be working.

This month has seen two of the biggest and noisiest political events in Belgrade since the collapse of Communist Yugoslavia: a congress of Serbia's ruling Socialist party, and the first serious anti-government rally since 1992. While holding any protest in this toughly policed state demands boldness and ingenuity, observers were struck by the smallness of the crowd – little match for the confident mood of the Socialist congress a week earlier. About 15,000 people, chanting slogans like "red bandits" and "Slobo, Saddam" took part in last weekend's demonstration while riot police stood by.

'We want Serbia's flag flying at the European Parliament, not the Chinese flag in Belgrade'

This compared with crowds of 70,000 for anti-Milosevic rallies four years ago.

The president, by contrast, seemed more confident than ever at the Socialist congress, where he ensured that about two-thirds of the party's leading posts changed hands – with communists ousting nationalists.

In style as well as content, the gaudy and lavish congress – entitled "Serbia 2,000" – a step into the new century – was intended to celebrate the president's journey back to the future. Instead of playing the Serbian patriotic songs he once favoured, Mr Milosevic and his flock stood to attention for the Communist hymn, the Internationale.

Ms Markovic laid the ground for her husband's about-turn. She is leader of the Yugoslav United Left (JUL) movement, a curious but powerful mixture of Communist industrial managers, sanctions-busters and fellow Marxist professors. JUL does not have a single seat in parliament but has provided more than half the ministers in government.

Opposition parties hold nearly half the 250 seats in parliament, but have been marginalised by the regime's control the media and business. The most popular regime in the slanted state press is Beijing. This new authoritarianism has dashed any hope among Belgrade liberals that peace in Bosnia, and the lifting of UN sanctions, would pave the way for their country's re-entry into the European mainstream.

Mr Vuk Draskovic, one of the more credible figures in Serbia's struggling opposition, summed up the feelings of his liberal compatriots when he told last weekend's rally: "We want the Serbian flag flying in front of the European Parliament, not the Chinese flag in Belgrade." For now, the former seems even less likely than the latter.

Squillante affair link with Berlusconi camp

By Robert Graham in Rome

The ramifications of Tuesday's arrest of a senior Rome judge by Milan anti-corruption magistrates spread yesterday to engulf key figures linked to former Premier Silvio Berlusconi and his Forza Italia movement.

The linkage of the affair to the Berlusconi camp has injected a highly unpredictable element into the campaign for the April 21 general elections just getting under way.

This in turn has led to accusations of political motivations behind the arrest on as yet unspecified charges of corruption of Renato Squillante, 71, who was in charge of all the judges of first instance in the Rome judiciary.

Mr Squillante, one of the best known figures in the Rome judiciary with contacts in the political establishment, cinema and sport, is alleged to have accepted bribes to alter the course of justice in at least two cases in 1987 and 1988. Mr Squillante's lawyer said yesterday he was still unaware of the facts behind the accusations.

In a separate but connected move, Mr Cesare Previti, defence minister in the Berlusconi government and the Rome lawyer for the former premier, lodged a formal complaint in the Rome courts both at Mr Squillante's treatment and against reports that he too was under investigation in the same case.

Mr Previti, a friend of Mr Squillante, said reports of his alleged involvement were linked to the onset of the election campaign.

Mr Previti said he had yet to be notified of being under investigation. He denied that Mr Attilio Pacifico, a lawyer arrested on Monday on charges of aiding and abetting in the Squillante affair, had ever worked in his law firm.

When the Berlusconi government was formed in May 1994, Mr Previti sought to be justice minister. He is already under investigation by Brescia magistrates for allegedly seeking to undermine the activities of Mr Antonio Di Pietro, the best known of Milan's anti-corruption magistrates.

Since the corruption scandals were first broken by Milan magistrates in 1992, leaks about the charges have quickly filtered into the press.

On this occasion, these channels have been silent, except to leak Mr Previti's alleged involvement and cite Ms Stefania Ariosto, acknowledged companion of Mr Vittorio Dotti, head of the Forza Italia parliamentary group and a top lawyer for Mr Berlusconi's Fininvest business empire, as a key witness in the Squillante affair.

Ms Ariosto yesterday confirmed in an interview with Ansa, the national news agency, that she had given evidence to Milan magistrates. She said she had received numerous threats and for the past eight months had been given special police protection.

Yesterday, there was no suggestion Mr Dotti, her companion of eight years, was involved in her depositions to magistrates even though he is a political rival of Mr Previti within Forza Italia.

Maker of Chesterfield cigarettes breaks ranks and offers a deal to anti-tobacco lawyers, says **Richard Tomkins**

First chink in tobacco manufacturers' armour

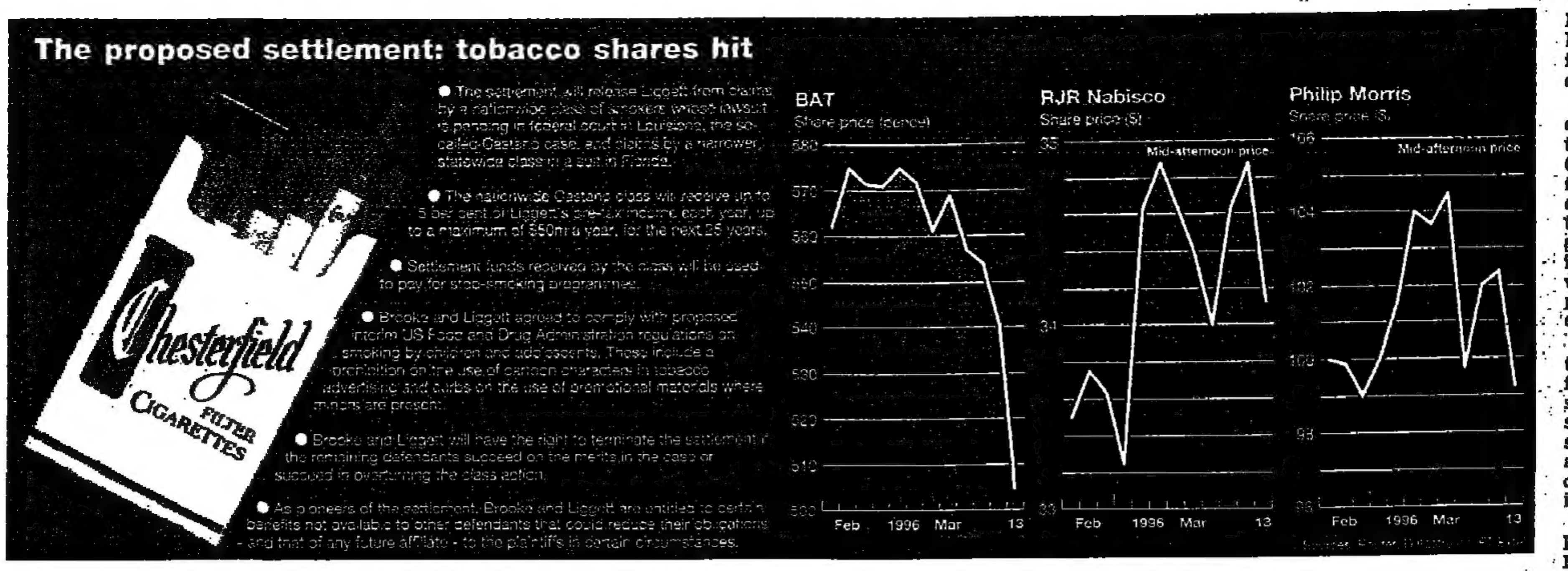
Most figures to do with the US tobacco industry tend towards the mind-boggling. Smokers in the US bought 485bn cigarettes in 1994, the last full year for which figures are available; domestic cigarette sales that year were worth $45bn; and scientists estimated that more than 400,000 US citizens died of tobacco-related illnesses.

And how much would the tobacco industry have to pay out if it acknowledged responsibility for smoking's effects on society? So far it has never given out a penny in damages: but the total value of lawsuits currently being brought against the industry runs into tens of billions of dollars.

Until now, US tobacco companies have stood side by side in vowing to fight and defeat every lawsuit brought against the industry. But in an historic move yesterday, Liggett, maker of Chesterfield and a range of cut-price, private label cigarettes, said it was ready to break ranks and cut a deal with anti-tobacco lawyers.

In the past, cigarette companies felt in no need of a deal because juries took their side when smokers sought compensation for health damage. The health hazards associated with smoking were so well known, juries said, that anyone who took up the habit automatically accepted the risks.

But the industry now faces a new type of lawsuit. In the Castano case, named after one of the plaintiffs, lawyers are seeking compensation on behalf of all present and former smokers not for health damage, but for the costs of their addiction – including a refund of all the money they have spent on cigarettes.



Separately, another novel approach is being tested by five states that are suing the tobacco industry for the costs of treating smoking-related diseases under public assistance programmes such as Medicaid.

Liggett's proposed deal would settle both types of litigation. In the Castano case, the company has signed a provisional agreement with the plaintiffs' lawyers to pay out 5 per cent of its pre-tax profits up to a maximum of $50m a year for the next 25 years. The money will go not to individuals, but to programmes aimed at helping people to stop smoking.

In the case of the states, the company is negotiating a deal under which it will pay 2 per cent to 7 per cent of pre-tax income towards their smoking-related healthcare costs over the next 24 years, the precise figure depending on how many states join the settlement. There will also be an up-front cash payment.

Significantly, the same terms will apply if Liggett should merge with any other company that has less than 30 per cent of the US market. This would exclude Philip Morris, which is much richer than the other companies and would probably be expected to pay out more; but it would include RJR Nabisco, the second biggest US tobacco company.

Explaining the move yesterday, Mr Bennett LeBow, the US financier who controls Liggett through his investment vehicle Brooke Group, said: "The tobacco industry has lived for too long with the possibility of financial catastrophe from product liability lawsuits that could destroy the industry."

However, industry analysts saw the strategy as a clear attempt by Mr LeBow to improve his chances of seizing control of RJR Nabisco and spinning off its food business, a strategy he has been pursuing since last year.

RJR Nabisco has consistently argued that a spin-off of the food business cannot be achieved at present because anti-tobacco plaintiffs with litigation pending against the group would take legal action to prevent it, claiming that the group was trying to protect valuable assets.

In principle, Mr LeBow's move appears to nullify those arguments because the threat of litigation would disappear if RJR Nabisco were to sign up to an out-of-court settlement. In addition, the plaintiffs have agreed that if RJR Nabisco joins the deal, they will not seek to block a spin-off of the food business.

If Liggett and RJR Nabisco were to sign up to a deal, other companies could come under pressure from their shareholders to follow suit. One calculation they would certainly be obliged to make is whether it would be cheaper to accept a settlement along Liggett's lines than to carry on fighting the lawsuits. Their annual costs in legal fees, although not in the public domain, are thought to be vast.

However, a settlement would also carry big risks. On the plus side, the terms of the agreement in the Castano case would protect Liggett from all future addiction-based claims. But there would be nothing to stop lawyers thinking up new grounds for lawsuits against the industry, and its defences would be weakened once the principle of product liability had been established.

Perhaps not suprisingly, most of the big US tobacco companies were firmly rejecting the idea of a settlement yesterday. Philip Morris said: "We remain confident in the strength of our litigation position, and we intend to fight and win all of the cases in which we are involved."

Brown & Williamson, BAT Industries' US subsidiary, said Liggett's settlement was "clearly based not on legal merits but on its continuing merger battle with RJR".

Ms Diana Temple, a tobacco industry analyst at Salomon Brothers, the Wall Street investment house, predicted that Mr LeBow's move might even have weakened his chances of winning control over RJR Nabisco. "He will be perceived as willing to trade away a percentage of RJR's profits and destroy the industry's decades of take-no-prisoners litigation approach for his personal gain," she said.

Editorial Comment, Page 13

Reforms may be watered down in Brazil

By Angus Foster in São Paulo

The man overseeing Brazil's troubled social security changes wants to strip the reforms of nearly all their controversial points in the hope of winning speedy approval in congress.

The government has yet to make a decision but if it approves the watered-down version it is likely to be criticised for backing down on its commitment to modernise Brazil's economy.

Mr Michel Temer, the congressman put in charge of negotiating the reform after a government-approved package of changes was rejected last week, said some proposals were too controversial to pass. He would push for the approval of a "possible" rather than "desirable" reform. President Fernando Henrique Cardoso has said since proposing social security reform over a year ago that change was needed to stop costs rocketing.

The public-sector pension system is inequitable, paying huge pensions to special interest groups such as judges and congressmen and allowing early retirement. For example, senate president José Sarney receives a pension of more than $15,000 a month from his previous government jobs, against the minimum wage of $100.

Mr Temer said reforms of the public sector rules were unlikely to pass in Congress, and suggested a two-year delay. In that time, rules governing the social security system, which are included in the constitution, should be replaced by normal legislation, which needs fewer votes to amend in Congress. Mr Temer proposed to allow continuation of special retirement rules for judges and school teachers, some of whom can retire after only 25 years' work.

Mr Cardoso may not respond to the proposals before returning from Japan on Friday. Following last week's defeat, the government wanted to put the social security reforms back on track quickly but was hoping Mr Temer's proposals would be more ambitious.

Foreigners hope Mr Cardoso's popularity will help him confront Brazil's Congress. If he backs down, tax and civil service reforms may be in doubt.

Zedillo brings his caudillos to heel

The era of the Mexican local party boss is drawing to a close, writes **Leslie Crawford**

For as long as Mexicans can remember, the state of Guerrero on the Pacific coast has been ruled by the Figueiroa clan. Grandfather Figueiroa was a warlord during the Mexican Revolution. Figueiroa senior governed his home state during the 1970s, where he is remembered mainly for crushing an armed peasant uprising. His son, Rubén Figueiroa Alcocer, inherited the mantle in 1993.

The dynasty was toppled by President Ernesto Zedillo on Tuesday with the resignation of Governor Figueiroa, who is suspected of ordering a massacre of leftwing peasants in Guerrero nine months' ago.

Mr Figueiroa's capitulation represents an important, if tardy, victory in President Zedillo's campaign to transform his rebellious lieutenants into law-abiding citizens.

The governor's stubborn attachment to power – in the face of evidence that seemed to link him to the killings – had begun to undermine Mr Zedillo's authority. For the remaining 28 governors of the ruling Institutional Revolutionary Party (PRI), Mr Figueiroa's "definitive leave of absence" – the Mexican euphemism for summary dismissal – has sounded a warning to begin running their states more like civil servants and less like overlords of private fiefdoms.

Shortly after the deaths of 17 peasants in a police ambush in the hills north of Acapulco last June, the government of Guerrero released an edited videotape of the incident in which the peasants appeared with guns and machetes in their hands. Mr Figueiroa accused the peasants of attacking police first and of being members of a radical leftwing organisation. He denied any responsibility in the affair.

An investigation by the National Human Rights Commission, a federal government agency, subsequently concluded that the weapons had been planted on the corpses, that important evidence had been destroyed by the authorities, and that videotape of the shootings had been doctored.

The commission recommended the dismissal of several senior officials in Mr Figueiroa's government, including the state attorney general and the chief of police, although it stopped short of incriminating the governor.

Mr Figueiroa was ordered to appoint an "independent" prosecutor to investigate the incident but the inquiry limped along while the widows of the victims reported death threats, and leaders of the leftwing Revolutionary Democratic Party (PRD) continued to denounce cases of political assassinations, torture and "disappearances" in Guerrero – a state wracked by land conflicts and the violence of drug traffickers.

President Zedillo chose not to intervene in the affair, arguing that it was a case for the state judiciary to resolve. Last week, however, after two television networks had screened an unedited 16-minute videotape of the massacre, horrifying the nation, Mr Zedillo ordered the Supreme Court to take over the investigation.

In a final act of defiance, Mr Figueiroa orchestrated several "spontaneous" demonstrations in his support at the weekend. On Tuesday he resigned and was replaced by Mr Angel Aguirre Rivero, the president of the Guerrero state PRI, who owes his political career to the Figueiroas. Mr Figueiroa's departure is expected to weaken an alliance of hardline PRI governors who resent Mr Zedillo's attempts to instill greater accountability in a party that has been in power for 67 years.

In the oil-rich state of Tabasco on the Gulf Coast, Governor Roberto Madrazo has been fighting for his political life following allegations that he spent $70m – 60 times the legal limit – in his election campaign two years' ago.

With the defeat of the governor of Guerrero, Mr Zedillo stands a better chance of enticing national opposition parties to talks on modernising Mexico's political system. The machinations of rebel governors, however, and the hostility of much of the ruling party to changes that diminish their powers of patronage, will continue to make the president's task a difficult one.

Zedillo: the stubbornness of a dynasty was seen to be undermining his authority — Tony Andrews

US output growth 'moderate'

By Michael Prowse in Washington

The US economy grew modestly in January and February without putting upward pressure on inflation, the Federal Reserve said yesterday in a reassuring "beige book" analysis of regional trends.

"Over half the districts cite moderate economic growth or continuing solid levels of economic activity. Most of the others mention recent improvements, largely reflecting rebounds from weather-related slowdowns earlier in the year," the report says.

However, the Fed's regional banks saw little evidence of inflationary pressures. Retail prices were rising "only slightly if at all". Commodity prices were "steady, stabilising, or increasing very little." Wages were "increasing at a modest pace".

Retail sales were weak nearly everywhere in January but most areas said activity picked up last month.

Manufacturing activity was mixed but "fairly flat on average". More than half the districts reported gains in some industries or sub-regions, but the Boston, St Louis, Minneapolis, Kansas City and Dallas districts said output was either flat or growing more slowly than late last year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Price for Trading on 14.3.96: Pool purchase price £/MWh	Final Prices for Trading on 15.2.96: Pool purchase price £/MWh	Final Prices for Trading on 15.2.96: Pool selling price £/MWh
0030	13.38	9.11	9.11
0100	13.45	19.45	20.03
0130	11.32	22.17	22.74
0200	11.32	22.17	22.74
0230	11.32	19.45	20.03
0300	11.32	22.17	22.74
0330	11.32	22.17	22.74
0400	11.38	12.46	13.03
0430	9.98	12.38	12.95
0500	9.66	12.38	12.95
0530	9.83	15.13	15.70
0600	9.78	15.13	15.70
0630	9.70	15.13	15.70
0700	12.96	15.00	15.60
0730	16.06	18.52	19.17
0800	21.60	19.10	19.88
0830	27.10	23.00	24.04
0900	38.19	25.68	27.32
0930	48.58	27.87	29.89
1000	53.49	45.18	47.31
1030	50.42	27.63	29.84
1100	45.64	26.55	28.22
1130	42.50	26.40	28.09
1200	38.71	20.82	29.60
1230	34.50	26.27	27.82
1300	23.72	25.28	26.75
1330	24.33	23.65	24.79
1400	22.30	23.15	24.20
1430	20.72	19.94	20.88
1500	19.38	19.04	20.51
1530	15.37	19.56	20.42
1600	15.79	20.20	21.28
1630	19.85	27.53	29.43
1700	25.46	44.33	48.66
1730	29.04	94.54	94.81
1800	43.43	104.05	115.77
1830	73.86	100.67	110.23
1900	87.49	61.98	67.52
1930	74.38	35.28	38.19
2000	43.97	25.84	27.09
2030	27.33	22.89	23.67
2100	20.97	18.81	19.48
2130	14.80	18.49	19.09
2200	12.96	18.25	18.83
2230	10.33	15.13	15.70
2300	9.28	12.11	12.69
2330	9.27	9.13	9.13
2400	9.23	9.10	9.10

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.80/MWh becomes 1.88p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6789 between 8.30am and 5.15pm Monday to Friday.

Senator Bob Dole has now won 20 Republican primaries in a row

Faltering Forbes campaign on critical list after Stupor Tuesday

The focus now shifts to the rivalry between Senator Dole and President Clinton ahead of the November election, reports **Jurek Martin**

Only Mr Steve Forbes was prepared to admit the imminence of political mortality yesterday in the wake of Senator Bob Dole's clean sweep of the seven Republican primaries held on Tuesday.

But the cold fact is that election politics now enter a period approximating suspended animation for a good four months. The front-loaded primary season is to all intents and purposes over and the party conventions are not being held until the second half of August, much later than usual to avoid conflict with the Atlanta Olympic Games.

What suspense there is now centres on how the majority leader and President Bill Clinton stake out the ground of their political and personal rivalry ahead of their presumed confrontation in November.

On the more immediate front, Mr Forbes, the magazine publisher, who could only manage one second place finish (in Florida), said that without "a major break" in one of the four Midwest primaries next Tuesday, "this campaign will have to come to a conclusion."

That was enough of a cue for Mr Pat Buchanan to welcome the prospect of a straight race with the majority leader.

"Mr Dole is finding out that 40-50 per cent of the Republican Party wants us to stay in the race and does not want Bob Dole as the nominee," the conservative commentator said.

This bravura conceals some wishful thinking. Mr Buchanan, now attracting smaller crowds and reduced to commercial flights rather than a chartered campaign jet, must know that few supporters of the free market, pro-choice Mr Forbes have much sympathy for his own protectionist, anti-abortion positions.

In interviews published yesterday, Mr Dole seemed positively to welcome the fact that he would soon be able to return mostly to Washington congressional business and the task of planning his battle against Mr Clinton. This will also relieve pressure on his primary campaign spending, already close to its permitted $37m ceiling.

The California primary on March 26 should give him the handful of delegates he will probably then need to nail down the nomination. A withdrawal by Mr Forbes next week might render California technically superfluous, but Mr Dole is unlikely to pass up the chance to campaign in the biggest state, where Mr Clinton currently holds a 20-point opinion poll lead over him.

Mr Dole's Super Tuesday sweep, making 20 primary victories in a row, netted him about 340 more delegates and put him three quarters of the way to the 996 needed to become the nominee.

It was his most conclusive primary performance to date. Only in Louisiana did he fail to top 50 per cent of the popular vote.

In both Texas and Florida, the largest contested states, he scored 56 per cent, with his best result proving to be Mississippi, with 61 per cent. Mr Buchanan finished second everywhere but Florida.

The downside came in the form of a very low voter turnout, which had been predicted after Mr Dole's victories on the previous 10 days and which had given the primaries the nickname of Stupor Tuesday. Exit polls also demonstrated muted enthusiasm for him as a presidential candidate.

He must remedy that in the coming weeks, mostly from his Washington base and mostly by focusing his fire on the man in the White House at the other end of Pennsylvania Avenue.

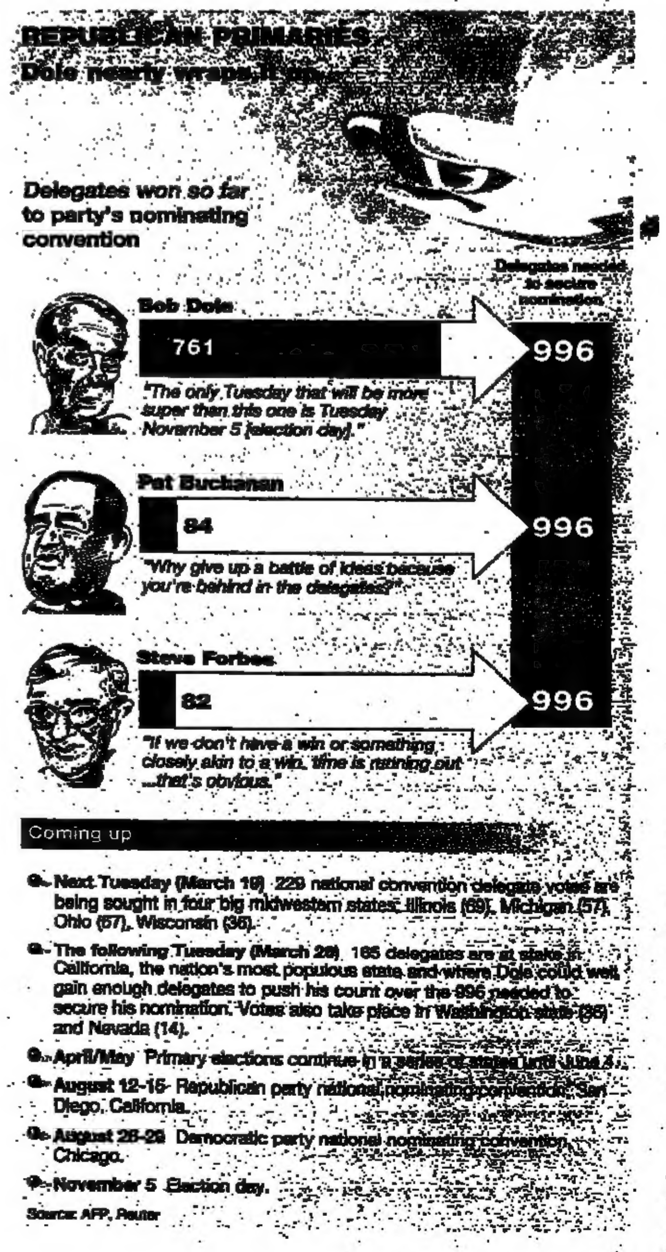
The personal relationship between Mr Dole and Mr Clinton, mostly forged in their protracted budget negotiations, is quite good. The majority leader conceded in his interviews that Mr Clinton had "quite a good grasp of the issues" and, like himself, preferred compromise, "no bad thing in my book." He added: "We don't scream and holler at each other."

Mr Dole likes the cut and thrust of Washington. As he told the New York Times, "we have about 80 legislative days left and a lot to do – balanced budget, term limits, line-item veto, Medicare, Medicaid. In this atmosphere, it's going to be difficult to get it done."

He thought a balanced budget agreement that "lets him win, lets us win, just a little each" was achievable. But, as RW Apple pointed out in the New York Times, there is an inherent risk in the majority leader's apparent approach.

"Mr Dole will have to find some way to deal with Mr Clinton on legislative business in private while making the case in public that he should be replaced. That is not an easy circle for anybody to square."

Still, having proven himself, after some early stumbles, on the campaign trail, Mr Dole is back on the familiar streets where even his fractured syntax is comprehensible.



WORLD TRADE NEWS DIGEST

Japan's $1bn for Brazil

Japan's Export-Import Bank yesterday announced more than $1bn of untied financing for Brazil, mainly for infrastructure projects. The announcement coincided with the visit to Japan of Brazil's President Fernando Henrique Cardoso, who is keen to persuade Japanese companies to resume investment in Brazil.

The financing is split between four projects. The biggest disbursement of $450m will form part of a $1.2bn loan, also backed by the InterAmerican Development Bank and Brazil's transport ministry, to modernise the road linking the industrial centre of Sao Paulo with the country's south. Known as the "highway of death" because of its poor condition, the road runs to the state capitals of Paranã and Santa Catarina and lies on one of the main routes from Sao Paulo to its chief Mercosur customs union partner, Argentina.

A $300m credit line will be made available to Brazil's National Development Bank (BNDES). A further portion, worth $268m, is in the form of financing for a metro system in the northern city of Fortaleza. Financing of $48m will be available for roads in Tocantins state, one of Brazil's poorest, in a project which already has World Bank backing.

The Exim bank is also talking to Companhia Vale do Rio Doce, Brazil's biggest mining company, about a $200m refinancing of loans for the Alumorte alumina project. The project, stalled for several years because of financing problems, started operations last year and is due to reach its capacity of 1,100,000 tonnes a year in 1997.

Mr Cardoso was also due to meet Mr Nobohiko Kawamoto, president of Honda. The company is one of several Japanese car makers eyeing an entry into Brazil's rapidly growing car market.

Angus Foster, Sao Paulo

Manila woos foreign investors

The Philippines government yesterday said it would speed up legislation to increase foreign investment in the country including protection of intellectual property rights, opening the retail sector to foreign competition and permitting foreign investment houses to own local mutual fund companies.

The government also unveiled tax incentives to encourage more multinationals to choose the Philippines as their Asia-Pacific headquarters and pledged to scrap the much-criticised Home Consumption Value method of calculating tariff charges on imports. Bowing to pressure from the US and the European Union the Philippines would shift to the less punitive Transaction Value form of calculation which is the international norm.

Among inducements for companies to relocate their headquarters to Manila was extension of visas from one to three years, 10 per cent income tax rates, incentives for companies to set up management training centres in the Philippines and repeal of the uniform value currency act.

Last month Citibank said it would move its Asian training centre from Singapore to Manila citing the improved incentives.

Edward Luce, Manila

ABB wins Russian power deal

ABB Asea Brown Boveri, the world's largest power engineering group, has won a $100m contract from Omskenergo, an electric utility in Omsk, to refurbish its HPP-3 power station in co-operation with Russian power engineering companies. The project involves replacing an energy wasting, oil fired plant in a polluted part of Russia with new technology 55MW gas turbines.

"It is good for the environment and good for the Russian economy. It will pay for itself in less than two years," said Mr Percy Barnevik, ABB chief executive. The turbines will be made at ABB Nevsky, a joint venture in St Petersburg. The generators will be by Sila, another St Petersburg company in which ABB has a stake.

Ian Rodger, Zurich

Vodka move 'breaks spirit of trade deal'

By Emma Tucker in Brussels

The European Commission yesterday strongly condemned Russia's decision to raise minimum import prices for vodka from the EU just six weeks after an EU-Russia trade agreement came into force.

Brussels said the "discriminatory" move could undermine EU support for Russia's application to become a member of the World Trade Organisation.

"This development comes as a great surprise as this steep increase in minimum price marks a clear break from the spirit and purpose of the trade agreement with Russia which entered into force on February 1, 1996," the Commission said.

Russian vodka makers have been suffering from a flood of foreign vodka imports, mainly from the former Soviet states. The move to raise minimum import prices is viewed as an attempt by politicians to court public support before elections in June.

As of yesterday the minimum price for each litre of imported vodka from the EU rose to $6.20 compared with $3.80 per litre on imports from former Soviet republics. In the first eight months of this year, the EU exported Ecu150m ($187m) of vodka to the EU.

A Commission spokesman warned that the EU might have to review its support for Russian applications to join not just the WTO, but also the Organisation for Economic Co-operation and Development.

"We know that Russia would like to join the OECD and the WTO and the Commission is basically positive," he said. "However, these kind of unilateral measures are not compatible with that approach."

Brussels added that the move also sent out a poor signal to foreign investors, already cautious about investing in Russia.

Last month a lengthily negotiated interim trade agreement between the EU and Russia came into force. It aimed to place trade links between the EU and Russia on a new and stronger footing as part of efforts to underpin the reform process in Russia.

The EU won improved access to the Russian market for goods such as cars and alcoholic drinks while a range of import restrictions were curtailed. Russian exports were granted better access to the EU by the abolition of key restrictions and the curtailment of anti-dumping measures and safeguard clauses.

The agreement is supposed to lead to a free trade area between the EU and Russia, and improve trade in services and capital.

Mr Hans van den Broek, EU commissioner responsible for relations with the former Soviet Union, will discuss the Russian measures in Moscow next week.

Finding partners in the Mormon state

British IT executives found an unexpected brotherly reception in Utah, reports **Christopher Parkes**

The scales fell from David Holmes's eyes during a fleeting trip to Utah last week. Despite the torture of a 20-hour budget-class flight from London, via San Francisco, the managing director of Paragon Software Systems found himself feeling unexpectedly comfortable in the alien confines of the Mormon state.

"People always told me I'd lose my shirt if I tried to do business in the US," he said. That was still possible. But within a day of his arrival at a corporate matchmaking seminar in Salt Lake City he found himself contemplating a vista dotted with at least as many opportunities as pitfalls.

"Just being here has made me feel 'right' about the US. The people I've met have a culture and a skills base similar to our own. They are almost like brothers in the information technology world. That's the point I'd missed when I'd thought about the States before."

Growth in the state's information technology industry

	1994	1995	% change
Enterprises	1,507	1,748	16
Employees	32,126	34,804	8
Average IT wage	$35,150	$38,460	9
Average Utah wage	$22,400	$22,584	1
IT revenues*	$6bn	$6.1bn	2

* 1993/94

Source: Utah Department of Employment Security (2nd qtr 1995), State Economic Co-ordinating Council

One of 50 or so British executives from mainly small and medium-sized IT companies travelling courtesy of the UK government, he had been pitched headlong into a round of one-on-one meetings with potential business partners from Utah's flourishing IT industry.

Hidden behind the natural barriers of mountains, deserts and the Great Salt Lake, and long obscured by the exclusive nature of the Mormon religion, the state is home to one of the fastest growing economies in the US.

The number of companies in the IT sector grew 16 per cent last year to 1,750, its workforce increased 8 per cent, and revenues exceeded $6bn. Perhaps more significantly, Salt Lake City was ranked by Forbes ASAP magazine – according to criteria including "high-end brain power" and "entrepreneurial zest" – as the best place in the US for nurturing information age businesses.

But forging successful partnerships is a matter beyond the control of legislators and others routinely responsible for fostering enterprise. The point was heavily underscored by the presence at the seminar of senior executives from Utah's own computer networks specialist Novell, newly and expensively divorced from WordPerfect.

Mr Steve Markman, Novell's second-in-command, said in a rueful aside: "The issue is not finding partners: it's sticking with them."

Still, the expenditure of effort and management time involved in finding the right adhesive – be it complementary technology or distribution patterns – was the best guarantor of commercial success, he said. Rather than acquiring one another, high-tech companies were better advised to harness and share through partnerships the inventiveness, vision and energy common in the sector, especially among the smaller players.

Even then, he suggested, the risks involved in anything less than a bargain where all partners shared equal benefits could be daunting. "You can find yourself competing with your own technology boxed in someone else's box," he warned.

Boxes of a different order were among the hazards previously encountered by Mr Jeremy Peckham, managing director of Vocalis, a fast growing Cambridge-based specialist in voice-operated telephony.

"The tick-box partnerships are the ones that don't work," he said. A man who spends more than half his time on business development, Mr Peckham had had more than enough experience of companies looking to talk their way into such arrangements.

Rather than seeking active deals, they were interested only in being able to "tick" as many "boxes" as possible on their corporate prospectuses for purely cosmetic purposes. This was one way of pretending to third parties that they had command of a range of technologies or at least links with reputable specialist partners.

Despite already having signed up one partner in New York, and continuing talks with a handful of others turned up by a Silicon Valley consultancy, Mr Peckham, who last year did 80 per cent of his business overseas, was in Utah doggedly pursuing his target: a wide launch this year in the US – "the big one for us".

Others, with less experience and more modest ambitions found success closer to hand. Mr Tony Coultas, sales and marketing manager for Imperial Computer Consultants of Grimsby, went home well pleased with his first US sale. The £3,000 sale of a programme generator for hand-held computers also marked a breakthrough for Salt Lake's Radix company which had been looking for a solution to a particular problem for three years.

Radix, which routinely sells large volumes of portable machines to utilities for functions such as meter-reading, had been turning away small-volume orders from other potential buyers because it had no cost-effective means of writing a wide variety of individual software programmes.

In future, Mr Coultas said, Radix would be able to fill the hardware orders by including his product as part of the package. The irony was that Imperial had previously made indirect but hitherto unfruitful contact with Radix through an intermediary. As other participants stressed, one of the most useful features of the seminar for Mr Coultas proved to be the opportunity for face-to-face contact at top level.

Mr Daryll Stewart, president of Utah's Dune Microsystems, was unsure if he had made any immediately profitable contacts. But he had met as many as possible of the UK delegation. "This is really CEOs talking to CEOs," he said. "Spending even five minutes with each company at that level creates a lot of potential synergies.

"First there's the question of what they have and if it fits with what we do. If not, there is still the question of whether we know people who *could* use it."

Last week he saw a 50/50 chance of doing a deal. Longer term, the odds shortened to something approaching absolute certainty – thanks to common language and common cultural roots. "This is, after all, really one market," he said.

Starting from the point at which Dune initiated product research, he viewed the US and Canada as a single geographical unit. "And I look at the UK as an extension of the US," he said.

Discussion of the unfashionable notion of a "common" transatlantic market arose repeatedly. Mr Bill Wilson, head of Interactive Media Services did not find himself a partner. But he went home with a solution to a nagging data storage problem at his Leeds-based telecoms services company.

He estimated it could save him £50,000 in immediate development costs alone. "I've also found three potential sales opportunities among the UK people here," he added. "The thing in the UK and Europe is that people tend to be overprotective of their interests. But then they come out here and open up."

World wine exports
1993

	Value of exports ($m)	Exports (% of production)	Average export price ($/litre)
France	3,618	20	3.38
Italy	1,475	22	1.06
Spain	[illegible]	37	0.81
Portugal	426	12	2.00
Germany	[illegible]	[illegible]	1.40
Australia	207	18	2.01
[illegible]	207	[illegible]	0.85
US	171	7	1.41
Chile	[illegible]	[illegible]	1.48
South Africa	34	3	1.36
[illegible]	[illegible]	6	1.29
Total	7,910	18.5	1.82

Source: FAO

New wine exporters threaten to bottle up old producers

Alison Maitland reports on a world wine trade in ferment

Wine exports from new exporters such as Australia have soared in the past decade and will soon pose a serious challenge to European quality wine makers, according to a report by Rabobank, a Dutch bank specialising in food and agribusiness.

The report shows that Australian wine exports jumped from $20m in 1986 to more than $200m in 1993 and predicts that they will reach $700m by 2000. Exports of Chilean wine rose six-fold in six years to $135m in 1994, while US exports climbed five-fold in eight years to $182m.

"The new wine producing countries will become serious competitors (of western Europe) in the near future, in particular in the quality wine segment," says the report.

European wines continue to dominate the $8.5bn world wine trade. But Australia, the US and Chile achieved market shares of 2.6 per cent, 2.2 per cent and 1.6 per cent respectively by 1993, up from well under 1 per cent a decade earlier. South African exports are also increasing fast.

"It may still be marginal, but it's a beginning," said Mr Arend Heijbroek, the report's author.

He said Australia would be exporting 50 per cent of its production by 2000, compared with just 18 per cent in 1993. "They're very market-oriented and very concentrated." Four companies in Australia together have 75 per cent of the export market.

In Europe, wine production is fragmented and highly protected, the report says. Many small French chateaux are too restricted in output either to create brands or to supply the consistent, large quantities required by the dominant retail chains. By contrast, says the report, "production in the new wine countries is flourishing because the companies in these markets use the most modern technology, which enables them to produce quality wines at a favourable quality/price ratio".

> Production in the new wine countries is flourishing because they use the most modern technology, enabling them to produce quality wines at a favourable quality/price ratio

Asian countries are expected to be the future growth markets for wine if they lower their import taxes and excise duties. But reductions in tariffs and export subsidies by the EU and North America under the Uruguay Round agreement are also encouraging the new wine producers to push further into these markets.

The average export price of wine has increased in the past 10 years as the taste for Champagne and quality wines has grown. France, the world's largest exporter by value, also had the highest average export price of $3.38 a litre in 1993.

"France has always exported its best qualities, which has contributed to its good image," it says. "French traders are innovating in variety wines and good quality "vin de pays" wines which have fewer regulatory restrictions. This will give them new market opportunities."

The report is scathing about Germany's wine marketing skills. Germany is the only European country to lose market share over the past decade, when European exporters increased their domination of the international wine trade from 68 per cent to 85 per cent and the value of the market grew by 65 per cent.

Germany has concentrated on exports of cheaper wines such as Liebfraumilch. "This has not contributed to improving the image of German wine in the international market," it says.

The average world export price for wine has almost doubled in the past 15 years, thanks largely to increases in French prices. But the average real export price of German wines has halved over the same period.

Spain has increased its wine exports since joining the EU in 1986 and now exports 37 per cent of its production, the highest export percentage in the world. Its average export prices are the lowest in the world, at 81 cents a litre in 1993. Its higher-priced wines go to the US and UK, while France buys its cheaper wines.

Americans pay most for their wine imports, buying the most valuable wines on offer from France, Italy and Spain and paying an average import price of $4.35 a litre. A penchant for Champagne helps explain the high prices. The US also, unusually, has high duties on bulk imports, thus favouring higher-priced bottles.

The new wine countries, especially Australia and Chile, have made inroads into the US, achieving a combined market share of 8 per cent in 1993. They have also successfully entered the UK, where they quadrupled their share of market volume to 14 per cent by 1993 at the expense of traditional European suppliers.

They have had less success in Japan, one of the fastest growing wine importers of the last 20 years, where French wines have a 60 per cent share of imports.

The World Wine Business, Rabobank Nederland, Marketing Services, PO Box 17100, 3500 HG Utrecht, Netherlands. Tel: +31 30 2162804, fax +31 30 2161976. $45.

UK charity linked to aid for suicide bombers

By Julian Ozanne in Jerusalem and Clay Harris in London

Documents in the possession of Israeli police link Interpal, a UK-based charity, with a Palestinian organisation whose head is under investigation for allegedly supporting the families of Hamas suicide bombers and other activists.

One letter from Interpal, written in Arabic, confirms the transfer of $80,000 to the Islamic Salvation Fund.

The other authorises the spending of $20,000 for food for the families of prisoners and the distribution of $10,000 in cash to buy clothes for children at the festival of Eid, at the end of Ramadan.

In London, Mr Essam Mustafa, vice chairman of Interpal, who signed both letters under the name "Issam Yousef", confirmed yesterday that they were genuine.

He said the charity that received them, which he translated as Islamic Relief Committee, was Israeli-registered, and the payments – including those to families of prisoners – were legal in Israel.

The bank accounts of Interpal, also known as the Palestinian Relief and Development Fund, have been frozen by the British Charity Commission pending an investigation.

Until the measure is lifted, the charities regulator must approve any transfer out of Interpal's accounts. Commission officials yesterday began their detailed investigation of records at Interpal's offices in north London.

Israeli security forces believe the letters provide evidence of a chain linking money raised by Interpal in Britain directly and indirectly with Hamas's military wing. They also allege that Interpal co-ordinates the activities of other fund-raising groups in Europe.

Mr Mustafa said yesterday he was not a member of Hamas: "I am not. I have nothing to hide. I am not one of those people."

The Islamic Salvation Fund is one of two Nazareth-based charities run by Mr Suleiman Agbariah, a 39-year-old Arab citizen of Israel. Mr Agbariah is under house arrest on suspicion of channelling money from Interpal and other foreign organisations to the families of Hamas terrorists.

Until yesterday, Interpal had said it had no records of sending money to the charities linked with Mr Agbariah.

Israeli police say Mr Agbariah acted as a conduit for funds raised in Britain and Germany to Hamas and accuse him of channelling more than $3m in the past four years. Israeli intelligence officials estimate up to $12m is sent to Hamas from Britain each year of the total $70m of Hamas funds raised abroad annually.

Police documents show that families of known Hamas guerrillas who died in operations against Israel received charity from Mr Agbariah's organisations.

One case concerns the family of Mr Iman Salah Salame Attallah, a 20-year-old Palestinian who died after he drove his car packed with explosives into an Israeli military car, killing two Israeli soldiers. The attack occurred in the Gaza Strip on September 12 1993, a day before the Israeli-Palestinian peace agreement was signed in Washington.

A field worker working for one of Mr Agbariah's charities recommended support to the family saying that Mr Attallah, a member of Izz el-Deen al-Qassam, the military wing of Hamas, was a "moral youth" and a "martyr".

'Peace summit' sends Red Sea tourists packing

By David Gardner in Sharm el-Sheikh

Ever since Mr Yassir Arafat, leader of the Palestine Liberation Organisation, renounced the use of terrorism in the 1980s, he has had trouble getting his tongue round the English word, regularly startling listeners by promising to wipe out "tourism".

At yesterday's hastily convened "anti-terror" summit in Egypt's Red Sea resort of Sharm el-Sheikh, he and 30 other international leaders were doing a fair job of that.

As summiteers settled into their beach suites among the rustling palms and riot of bougainvillea, those tourists not already rousted from their rooms ducked stampedes of cameramen and security guards.

They fled the platoons of workmen raising billboards, painting kerbs, building platforms over swimming pools and commandeering restaurants for the Summit of Peacemakers.

The remote southern Sinai resort's one-runway airport was swamped, the local telephone system overwhelmed to the point that even local calls were at one stage impossible.

Yet Sharm el-Sheikh is a relatively recent addition to the tourist circuit.

Returned with the Sinai desert in 1981 to Egypt by Israel, which captured it in the 1967 Arab-Israeli war, it had previously been a vital strategic military installation for both countries before they made their 1979 peace.

President Bill Clinton shares a joke with Jordan's King Hussein on board Airforce One as they fly in for the summit Reuter

Enterprising management at the Mövenpick Jolie Ville Hotel, the improvised summit centre, was doing a brisk trade among delegations and surviving tourists by selling them "Stop Terrorism" T-shirts , with "Yes, I Was There" emblazoned on the back.

Well, up to a point, so far as the tourists were concerned. Many of them were shipped off to the Valley of the Kings in Luxor, at the other end of Egypt, or to the neighbouring 4th century monastery of St Catherine's, near Mount Sinai.

Mount Sinai is where God revealed the 10 Commandments to Moses; among them: "Thou shalt not kill".

Back in the Mövenpick, meanwhile, the Butlin's holiday camp atmosphere was cranking up on auto-pilot, with or without tourists. A multi-lingual Dutch *animateur* was calling the Bingo numbers, backed by two blondes doing rather tacky "Oriental" dances.

As a sedate delegation of Saudis filed ceremonially into the Crown Prince of Bahrain's suite to pay its respects, "Number Eleven, Legs 11" boomed over the holiday village sound-system.

As President Jacques Chirac, of France, strode purposefully towards President Hosni Mubarak of Egypt, the master of ceremonies could be heard insisting: "The first horizontal line of numbers gets the prize."

As the tension mounts, Nigel, from the British delegation, cried "Bingo!" and claimed the summit's first prize, an hour's free diving tuition on Sharm el-Sheikh's breathtaking coral reef: definitely the most peaceful place at the Summit of Peacemakers.

Groups 'will have to fund own fight on fraudsters'

By Andrew Jack in Paris

Counterfeiting products costs businesses more than $100bn (£66.6bn) a year and companies will have to assume far more responsibility for protecting their products, a senior executive from the International Chamber of Commerce warned yesterday.

Cost pressures on law enforcement agencies and the belief that counterfeiting is essentially a commercial problem will shift a considerable burden of investment away from state investigators and on to business, he said. They will be expected to fund their own inquiries to attack fraudsters.

The warning came from Mr Peter Lowe, assistant director of the Chamber's counterfeiting intelligence bureau at the start of a one-day conference on the subject in Paris.

Counterfeiting has been growing strongly since the 1960s, which is explained by the high levels of profit it generates, the lack of adequate enforcement, and the absence of strong intellectual property laws, Mr Lowe added.

The quality of fake products was now so high it was often impossible to distinguish them from genuine ones.

Sometimes this was because of "factory overruns", by which the same production facilities were used to provide the official products and then extra ones after hours.

Organised crime was often involved in counterfeiting, with the result that investigators often faced physical danger.

Further, counterfeiters were becoming more sophisticated in concealing their operations, including often importing unlabelled products and attaching false "designer" names at the last minute before sale.

Others speakers at the conference said counterfeiting had been helped in recent years by the political fragmentation and liberalisation of the former Soviet Union and China, and by reduced levels of customs inspections within the EU.

Mr Luiz Edgard Montaury Pimenta, a lawyer from Brazil, cited one example of a company in South America which attempted to register the name of a brand of shoe as a trademark and ban imports of the original.

The chief executive, he claimed, was a member of the country's police and sat on an anti-counterfeiting commission.

Mr Lowe praised France, which is one of the few countries in the world where counterfeited goods brought in from abroad can be confiscated by Customs officers even if they are claimed to be for personal use.

South Africa budget takes no chances

By Roger Matthews in Cape Town

The South African government introduced a cautious budget yesterday aimed at reducing the fiscal deficit, providing tax relief to lower and middle income groups, and slightly easing company taxation.

Mr Chris Liebenberg, the minister of finance, said his aim was to build on the government's reputation for fiscal discipline, while paving the way for more significant budgetary reforms next year.

He warned parliament there was no escape from the harsh disciplines of international markets. "The sanction for stepping out of line politically, socially or economically is severe," he said. "We intend to steer well clear of any such risk."

His decision not to raise value added tax from 14 per cent was welcomed by union leaders who had campaigned hard against the 1 percentage point increase urged by South Africa's biggest 50 companies. "We will not be opening any champagne tonight, but neither will we be taking to the barricades," said Mr Ebrahim Patel, a union leader.

Mr Liebenberg denied the government had succumbed to union pressure. He accepted that VAT was efficient and caused few economic distortions, but said it had a greater impact on the poor. "I am concerned at the perception that we have done a deal with the unions. This is not true."

The minister also turned his back on appeals from business leaders for a cut in the budget deficit equal to 1.5 per cent of gross domestic product. Instead he announced a target of 5.1 per cent of GDP, some R28.8bn (£4.8bn), compared with 5.8 per cent last year, and the actual outcome of 6 per cent. This would bring total projected government debt to R311.6bn, or 55.6 per cent of GDP, compared with 56 per cent of GDP in the current year. The cost of servicing the debt will rise from 18.5 per cent of government spending to nearly 20 per cent.

With total spending forecast to rise by 10.4 per cent next year to R174bn, and revenue from the existing tax structure by 10.5 per cent to R139bn, Mr Liebenberg had to seek additional resources to narrow the fiscal deficit. This he has done by raising R1.9bn from the sale of strategic oil reserves, R2.4bn from various tax measures, and R1.5bn in anticipated improvements in tax collection. He made no provisions for receipts from privatisation during the new financial year.

There was some small relief for companies and the stock market with Mr Liebenberg announcing a cut in the tax on dividends from 25 per cent to 12.5 per cent, and a reduction of the tax on share dealings from 1 per cent to 0.5 per cent. Mr Liebenberg said these measures were aimed at making South Africa more "investor friendly" and improving international competitiveness.

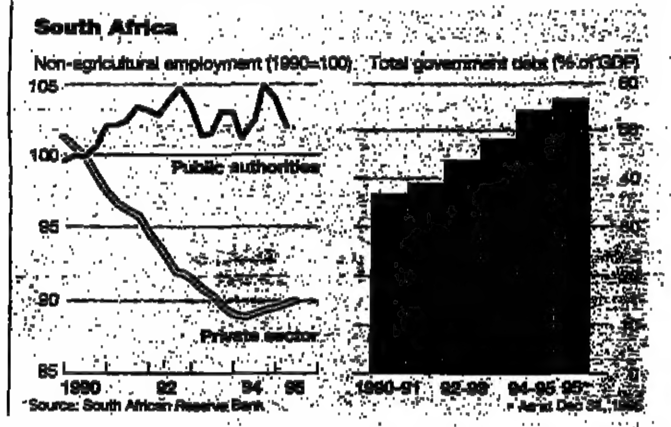
However, more controversially, he also announced the introduction of a new 17 per cent tax on the monthly gross interest and net rental income received by all pension, provident and retirement annuity funds. This is intended as the first step in a wider review of the industry and should yield R2.7bn in the financial year beginning on April 1.

Income tax payers benefit by R2bn from the decision to raise the threshold on which the top marginal rate of 45 per cent is levied from R80,000 to R100,000, coupled with other smaller concessions.

On spending, there is a further 5 per cent cut for defence, but more for education and police.

Lex comment, Page 14

South Africa



Poor nations' debt burden lies heavily on World Bank minds

Michael Holman and Patti Waldmeir on a dilemma for lenders

When the World Bank board meets in Washington today to discuss plans to reduce the debt burden of the world's poorest countries, directors will be aware that they face an almost impossible task.

They have to satisfy several powerful constituencies and some influential lobbies which, while sharing the same objective – reducing poverty through aid and economic development – are frequently at odds

The British charity, Oxfam, and other non-governmental organisations have long argued that the cost of repaying multilateral debt is an increasing burden on some of the world's poorest countries.

Repayments to multilateral creditors – mainly the IMF and the World Bank – have increased steeply, from 20 per cent ($1bn) of total debt service payments in 1980, to 50 per cent ($3.3bn) in 1994.

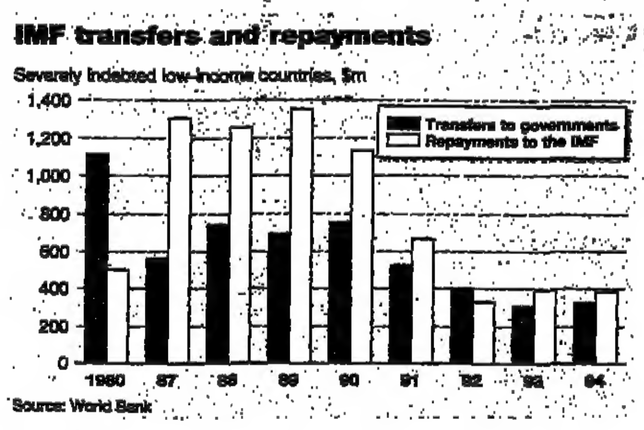
France, Germany and Japan are strongly opposed to either rescheduling or writing off this category of debt, arguing that its terms are highly concessionary and that other developing country borrowers could suffer, either because the cost of borrowing would rise as a result, or because fewer resources would be available to them.

But the paper before the boards nevertheless represents a landmark in efforts to tackle the debt problem.

It accepts that the debt burden of many poor countries cannot be tackled using existing measures; and for the first time there is a suggestion that the IMF is adopting a more flexible approach.

The strong theme running through the report is that the problem requires a comprehensive approach, in which all categories of debtors – multilateral, bilateral, Paris club (official government debt) and London Club (commercial bank debt) – need to share the costs.

IMF transfers and repayments



The paper sets a threshold for debt sustainability at 20-25 per cent for the ratio of debt-service to exports, and 200-250 per cent for the ratio of debt to exports.

Countries which remain above those thresholds for more than 10 years, "despite adherence to sound policies and full use of existing debt relief mechanisms," would be characterised as having "an unsustainable debt burden."

The initiative would:

- Require debtors to demonstrate a thorough track record of reform and sound policies before receiving relief.
- Co-ordinate action by all creditors, on the principle of "broad and equitable participation".
- Preserve the financial integrity of the institutions and their preferred creditor status.

The paper outlines the main challenge in formulating a debt strategy: "Reconciling the need to retain a clear link between additional assistance and policy performance, on the one hand, with the objective, on the other, of providing the debtor with a firm assurance that, if it stays the course in terms of policy implementation, it can reach a sustainable debt position within a reasonable time horizon."

This problem would be addressed by "offering to eligible countries an up-front undertaking from the international community to take action to ease the burden of debt . . ." but only "on the basis of an extended period of proven policy performance."

The initiative would have two stages. The first would follow existing conditions for Paris Club rescheduling, which already requires a three year track record of reform.

"During the following three year period" – stage two – "the Bank and the Fund would support the country in its efforts to undertake a broad based programme of macro-economic and structural reforms, which would lead to a comprehensive treatment of its debts."

The international community would promise to provide "debt relief from bilateral and commercial creditors further reducing debt towards sustainable levels by the end of the second stage". Such relief on flow and stock reschedulings by Paris Club creditors could reach 90 per cent when necessary, compared to the maximum 67 per cent currently avilable, the paper notes.

If debt sustainability is not then assured, there would be "new financing from, and action to ease the burden of debt owed to, multilateral institutions, sufficient to reduce debt burdens to sustainable levels by the end of the second stage."

The paper stresses that "options for easing the burden of multilateral debt all involve the original claims being repaid in one way or another – there is not a proposal to write off (or down) multilateral debts."

The paper goes on to say: "It is useful to consider possible action by the multilateral development banks and the IMF separately, given the latter's unique character and specialised instruments . . . one option would be for the multilateral development banks to create a special trust fund into which they, and bilateral sources, would make contributions."

The fund, administered by the Bank, would be used to prepay or service a portion of the countries' multilateral debts.

Eligible countries: Burundi, Guinea-Bissau, Mozambique, Nicaragua, Sao Tome-Principe, Sudan, Zaire, Zambia. Other countries might also qualify: Bolivia, Cameroon, Congo, Copte d'Ivoire, Ethiopia, Guyana, Madagasgar, Myanmar, Niger, Rwanda, Tanzania, Uganda.

Cinema/Nigel Andrews

Great tragic hokum

NIXON
Oliver Stone

GET SHORTY
Barry Sonnenfeld

REALMS OF THE SENSES
ICA

In *Nixon*, Joan Allen's First Lady says to Anthony Hopkins's president, "They'll never love you, Dick". And we realise, if we have not already, that film-maker Oliver Stone's appallingly enthralling three-hour stomp through the career that gave us the Cambodia bombings, the opening up of China and the Watergate burglaries is really "Citizen Kane Goes To Washington."

Kane had his sled taken away. Nixon, we learn in black-and-white flashback, had his brothers taken away by early death. His Quaker mom (Mary Steenburgen) then poured the family cash into young Dick's university education, enabling him to rise on his siblings' dead bodies as he would later rise on those of two more brothers: Jack and Bobby Kennedy, slain, at least in this film's metaphorical patterning, as if to clear Nixon's electoral path.

So: Charles Foster Kane with a touch of Macbeth. Hopkins, against expectation, makes perfect casting for the president who combined a bullet-proof ego with a greasepainted air of guilt. Scantily accessorised – a black widow's peak and a smear of five o'clock shadow – the actor hunches uncannily into Nixon's human coathanger shape. He punches his lines through the famous jowls and skins his lips back for the famous salesman smiles. Sometimes too he jabs the air with the Nixon V-sign as if digging heaven meaningfully in the ribs.

If Stone's *JFK* was a mosaic without a centre – its hero was a dead body – *Nixon* is a classical melodrama with a screen-filling protagonist; even though the director still plays unclassical games with time sequences and screen textures. Tripping between decades as he covers every flashpoint in the Nixon story from 1950s anti-communist fever to the death agonies of the Vietnam war, Stone also oscillates between colour and monochrome, hi-fi 35mm and the grainy hand-held film stocks of TV reportage.

This time, though, the audience does not feel like an adult education class being harangued by a mad political scientist. The Freudian slant on its main character may be simplistic (as was *Kane*'s), but Stone gives it a gothic grandeur. Like a Poe story, it revels in the corrupt magnificence of shadows, mansions and deadly secrets. And like a Poe hero, Nixon addresses old portraits as if they were living counsellors. "Where would we be without death, Abe?" he snarls fondly at a painting of Lincoln. Later he apostrophises him again as the man in whom "everyone sees what they want to be. In me they see what they are."

Nixon is not great art, but it is great tragic hokum. Its omnivorous, campy energy allows it to feed on knockabout satire as well as stentorian admonition. Bob Hoskins gives us a vaudeville J. Edgar Hoover, sipping umbrella'd cocktails with his Adonis pool companion. Paul Sorvino's lookalike, soundalike Kissinger is alternately unnerving and hilarious, as he proffers adenoidal war counsel or joins his chief in kneeling prayer (again before the icon of Abe). And the pantomime improbability of Nixon's pow-wow with student protesters on the Capitol steps – "Hi, I'm Dick Nixon" – is no more and no less than a true-life incident. This, after all, was a career made to be an Oliver Stone film.

★

John Travolta moves through *Get Shorty* like a one-man motorcade. Dressed in glistening black, gesturing with seigneurial hand, powering his path through fellow actors (Gene Hackman, Danny DeVito), the star who vanished from stardom for ten years might never have been away.

Bringing a limousine stylishness to this Elmore Leonard tale of graft and gangsterdom in movieland, Travolta's Miami-based mafia loan-shark travels west to put the squeeze on Hollywood producer Gene Hackman. Once set down, though, in the world of ravening stars (Rene Russo, Danny DeVito) and runaway revenues, Travolta is hooked. He transfers his business skills and intimidation tactics to the startled world of professional make-believe. His signature phrase "Look at me" is enough to turn most resistant investors or recalcitrant actors to jelly, as the halogen blue Travolta eyes bore into their souls or wallets.

The actor outshines the material. As directed by Barry *The Addams Family* Sonnenfeld, much of the film behaves like a drunk on a street, weaving between satire and slapstick as if between opposing lampposts.

Who in Tinseltown's demonology are these supporting characters meant to be? Hackman is too canny, too sly to be a knockabout vulgarian of the Z-movie (whose credits include *Grotesque* and *Grotesque Part 2*). Russo, as the starlet with pretensions, is a smart patrician redhead where she should surely be a blonde with a low IQ. And DeVito is too squat, too *buffo* to be the idol-superstar we are asked to believe has just triumphed as *Napoleon*.

Sonnenfeld and screenwriter Scott Frank seem to be playing for parody and incongruity at the same time: which is like trying to have your custard pie and throw it.

The best scenes are those where Hollywood recedes and gangsterdom takes over. Travolta and his fellow hoodlums (Hawaiian-shirted James Gandolfini, swollen-hootered Dennis Farina) may be playtime baddies, cousins to the postmodern cut-outs of *Pulp Fiction*, but they are funny and all-of-a-piece and they move in a world where quick reflexes produce quick wit. As someone pithily says, "Sometimes you do your best work when you got a gun to your head."

There are more gangsters at the ICA in Hayashi Kaizo's *The Most Terrible Time Of My Life*. But beware of self-fulfilling movie-titles. Trying to bring Chandler to Yokohama, the film brings grief to its audiences. We count the relentless punched noses and severed fingers and the would-be hardboiled lines that crack in the pan.

But it is only one film – ill-advisedly press-shown – in a three-week season of new Japanese cinema, "Realms of the Senses". This promises everything from post-cyberpunk science fiction to Super-8 diary movies to our old friend "the turbulences of adolescent emotional and sexual self-discovery."

Citizen Kane with a touch of Macbeth: Joan Allen and Anthony Hopkins in Oliver Stone's 'Nixon'

Obituary

Krzysztof Kieslowski

In years to come Krzysztof Kieslowski, who died yesterday aged 54, may be seen as the only European director to have emerged into greatness from the cultural muddle of the post-1970s European Community.

Though imbued with the sardonic stoicism of Polish cinema (Wajda, Polanski, Skolimowski), he determinedly crossed borders to make films with foreign stars in France (*The Double Life Of Veronique*, *Blue*) or Switzerland (*Red*). Not just a pan-European, he was also panhumanist and even a pantheist. A Kieslowski film was as eerily recognisable as a Graham Greene novel. Both depicted a world where ordinary lives kept meeting the shock of the mystical.

A widow could be haunted by the sins and passions of her husband, killed in a car crash (*Blue*). A young woman could meet her double, both literally (*Veronique*) and spiritually (*Red*). And in *The Decalogue*, Kieslowski's ten-instalment masterwork inspired by the Ten Commandments and created for television, the word of God, made outlaw in a godless world, finds constant ways to make itself heard.

Nothing in Kieslowski's debut feature, a comedy about cinemania called *Camera Buff*, prepared audiences for the complexities to come. But even here there was a flair for teasing offhand metaphor. The lens-wielding hero was a knockabout version of the "surveillance state" in pre-liberation eastern Europe. Kieslowski would later draw the same parallel between private and public voyeurism in his portrait of a peeping tom in *A Short Film About Love*, part of *The Decalogue* series.

After *Camera Buff* Kieslowski found and scarcely changed his style, whether working before or after the downfall of communism. Human beings were vulnerable, lonely and set about by near-uncontrollable worldly and otherworldly influences. Government, bureaucracy and authority were the bringers of tyranny and despair. The state's conscious oppressions were far more heinous, Kieslowski argued in his grim tale of murder and punishment *A Short Film About Killing*, than the madnesses of the lone individual, however horrifying.

Visually, Kieslowski showed that cinema could be just as inventive with a tiny budget as with the millionaire palette of digital trickery. Whether tinting his cityscapes with colour filters – an orange sky or a grey-blue street scene – or rhyming the same colour throughout a single film, as in *Red* or *Blue*, he was the only European director since Antonioni to advance the possibilities of colour and texture.

Two years ago he announced his retirement, but he was already pondering new projects. On the one occasion I met him, he mused on a Utopian form of movie that would literally change itself audience by audience: much as two of the movies in his own *Decalogue* – *A Short Film About Killing* and *A Short Film About Love* – had been shown in radically contrasting versions on TV and in the cinema. For Kieslowski, cinema never stood still. Movie history, like movies, should keep moving.

N.A.

Opera in London

Don Pasquale

Every year another businessman or politician finds himself on the front pages of the tabloids, victim of a younger woman who chose to kiss and tell. In Donizetti's opera the girl kisses and sings, but the moral is much the same: old age blinded and deceived by youth has been a favourite story for operas down the centuries.

English National Opera's production of *Don Pasquale* updates the plot to present-day Italy just in case anybody supposes the rules of the generation game have changed over the last 150 years. They have not, of course. This elderly Roman executive with his officious secretary and trendy modern art collection is Donizetti's Don Pasquale down to his slippers and walking-stick. His nephew Ernesto is a smart-suited white-collar worker and Norina is the young flirt who runs the café in the piazza.

It looks like a budget show and is sometimes guilty of cheapening the opera, but the evening brings a decent quota of laughs along the way. The return of veteran Donald Adams, though recovering from bronchitis, brings an expert comedian to the title-role. The production is particularly good at charting Don Pasquale's rapid fall from spruce husband-to-be to decrepit old loser wrapped in his blanket in a wheelchair, and Adams makes the irascible old fellow's decline quite touching. His days with G&S have kept his words supple.

Representing youth, Mary Hegarty's Norina and Neill Archer's Ernesto are shallow enough in this 1990s version to remind us that the young never change either. Hegarty is a delight, the sort of Norina who keeps her wits about her as any young Roman female must and singing with a refreshing soprano that hardly ever loses its sparkle; Archer has a Coliseum-sized lyric tenor, but he finds the second half of his aria too high for too long. With Alan Opie's sly Dr Malatesta singing as healthily as ever, it is overall a comic cast with a light touch.

The only place where the joke is likely to fall flat is down in the orchestra pit. The cavernous sound at the Coliseum robs Donizetti's score of its sharp rhythmic energy and the conductor, Michael Lloyd, allows the pace to flag. Add in the long pauses for set changes and ENO is in danger of breaking the number one rule of comedy – that it is all in the timing. If they could knock ten minutes or so off the running time, the smiles on the way out would be that much brighter.

Richard Fairman

Performances until April 11.

The Ballad of Baby Doe

Whatever happened to the Great American Opera, the ideal marriage between the democratic New World's jazz/folk vernacular and the most aristocratic and European of artistic genres? Now and then, candidates for the supreme accolade present themselves: Gershwin's *Porgy and Bess*, Blitzstein's *Regina*; Weill's *Street Scene*; Copland's *The Tender Land*; Bernstein's *A Quiet Place*. And Douglas Moore's 1956 opera, *The Ballad of Baby Doe*, something of a classic in America, but unknown and unstaged in Britain until Monday, when University College Opera presented it at the Bloomsbury Theatre.

The reasons for *Baby Doe*'s neglect here are not hard to fathom. Moore, a composer-academic, was neither one of America's great transcendentalist visionaries or an offbeat experimenter celebrating the US's cultural multiplicity. Like many educated American composers he headed for Europe, to the legendary Parisian pedagogue Nadia Boulanger, where he learnt how to coat his music with a proper Old World gloss.

But, gifted with less than genius and only a patriotic striving to tap into his indigenous tradition, the sense of parlour-song propriety always triumphs. *Baby Doe* runs true to form and formulae on impeccable craft, underpinned by folk-inflected music, alternately glowing or gawky, which does little to enrich its cardboard, historically-based, characters and hollow sentiment. The setting is ostensibly the Colorado gold/silver rush at the turn of the century: a party, a gambling session, a presidential election campaign, all illustrated with musical types drawn from stock – a waltz, march, letter song, even a willow song – but never quite assuming a definite, memorable musical identity.

But this is an entirely cosmetic dressing-up of the standard operatic love triangle involving the libidinous husband, Horace Tabor, the wronged, vengeful wife and the eponymous heroine, who is miraculously transformed from scheming opportunist to loyal second wife who joins Tabor in death, frozen beside the bankrupt silver mine on which they had pinned their hopes.

Wisely the director, Robert Chevara, largely refrained from adding tinsel and fairy lights to this already sickly, chocolate box confection. The choral scenes were impressively handled, and David Drummond conducted a fluent, loving account of the score.

In one sense *Baby Doe* is the perfect "college opera", making few demands on performers and listeners; and it probably needed this first British staging if only to provide further evidence that the Great American Opera is, in fact, a chimera.

Antony Bye

At the Bloomsbury Theatre on March 15 & 16.

Theatre/Sarah Hemming

Dublin low-life

It is a cracking month for Irish theatre in London. The latest arrival is Paul Mercier's *Buddleia* at the Donmar Warehouse (performed by Passion Machine Theatre Company as part of the Four Corners season at this address), which makes a fascinating contrast with Martin McDonagh's excellent *The Beauty Queen of Leenane*, still running at the Royal Court.

Like McDonagh's play, *Buddleia* is a bleak modern comedy set entirely in a delapidated kitchen. But where McDonagh explores rural dislocation, Mercier deals with the dregs of Dublin, and where McDonagh approaches his subject through the psychological battle between two characters, Mercier's strange and remarkable play is simply a succession of fragments – not so much a slice of life as a whole loaf. He brings us one set of inhabitants after another, a parade of misery and corruption that we, like the house, silently witness.

The piece starts with a bungled robbery (providing a great opening moment, as the actors fall through the kitchen window) which precipitates the death of the elderly occupier. With him gone, the building falls prey to a succession of lodgers and visitors and we watch as one dubious lot after another squabble, struggle or suffer. Broken marriages, financial crises, dodgy businesses (pornographic videos, heroin dealing), corrupt local politics, loneliness, illness – all human misery passes before us.

The piece works by accumulation, building up into a funny, but truly grim picture of life in a God-forsaken patch of Dublin. But while most characters come and go and never interact, the audience is privy to certain connections (the crooked estate agent turns up in nearly every scene), and Mercier also weaves in a couple of running themes. Gus and Les, two workmen who appear several times in different guises (undertakers, removal men, firemen) act as a kind of chorus and broaden the scope of the play by conducting inconclusive conversations about the meaning of it all. And tragedy is woven in the shape of the homeless Jordan, grandson of the first occupant of the house, a pale, skinny youth who is constantly getting entangled with other people's bad business.

It is an ambitious, enthralling piece that fizzes with desperation, and its deliberate avoidance of dramatic conventions admirably suits the splintered world it portrays. And one can only admire Mercier's marshalling of his huge (29 strong) cast and their ability to instantly conjure a whole world of private despair in each fragmented scene.

'Buddleia' continues to March 16 at the Donmar Warehouse, London (0171-369 1732).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Beurs van Berlage
Tel: 31-20-6271161
● Ton Koopman: the harpsichord-player performs works by J. S. Bach, Buxtehude, Forqueray, Duphly, Böhm, Rameau and Balbastre; 2.15pm; Mar 17
Concertgebouw
Tel: 31-20-5730573
● Raphael Oleg, Mirel Iancovici and Alan Wyss: the violinist, cellist and pianist perform works by Delius, Zemlinsky and Schoenberg; 8.15pm; Mar 17

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Trio Fontenay: in an all-Beethoven programme; 7.30pm; Mar 19
DANCE
Staatsoper Unter den Linden
Tel: 49-30-2082861
● Apropos Scheherazade: a choreography by Béjart, performed by the Ballet Unter den Linden. Conducted by Daniel Barenboim, costumes designed by Gianni Versace; 7.30pm; Mar 16
OPERA
Komische Oper
Tel: 49-30-202600
● Falstaff: by Verdi. Conducted by Yakov Kreizberg and performed by the Komische Oper; 7pm; Mar 15, 18

■ BOLOGNA

OPERA
Teatro Comunale di Bologna
Tel: 39-51-529999
● Madama Butterfly: by Puccini. Conducted by Marco Guidarini and performed by the Teatro Comunale di Bologna; 8.30pm; Mar 19, 21, 22, 23, 24 (3.30pm)
OPERA
Opernhaus Tel: 49-221-2218240
● Otello: by Verdi. Conducted by James Conlon and performed by the Oper Köln; 7.30pm; Mar 16

■ EDINBURGH

CONCERT
Edinburgh Festival Theatre
Tel: 44-131-5296000
● BBC Scottish Symphony Orchestra: with conductor Martyn Brabbins and soprano Lesley Garrett perform works by Wagner, Canteloube and Rachmaninov; 7.30pm; Mar 17

■ HAMBURG

OPERA
Hamburgische Staatsoper
Tel: 49-40-351721
● Khovanshchina: by Mussorgsky. Conducted by Gerd Albrecht and performed by the Hamburg Oper; 7pm; Mar 20

■ HANOVER

THEATRE
Niedersächsisches Schauspielhaus
Tel: 49-511-321133
● Der gute Mensch von Sezuan: by Bertolt Brecht. Directed by Fölster; 7.30pm; Mar 18

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig; 7.30pm; Mar 20

■ LONDON

ART & ANTIQUE FAIR
Royal Academy of Arts
Tel: 44-171-4397438
● The London Original Print Fair: 11th edition of Europe's only specialist print fair; from Mar 21 to Mar 24
OPERA
London Coliseum
Tel: 44-171-6360111
● Tosca: by Puccini. Conducted by Alex Ingram and performed by the English National Opera; 7.30pm; Mar 15

■ MUNICH

DANCE
Nationaltheater
Tel: 49-89-21851920
● Shannon Rose: world première of a choreography by Youri Vàmos to music by Sibelius, performed by the Bayerisches Staatsballett. Opening performance of the Ballettwoche 1996; 7.30pm; Mar 17, 18

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin perform works by Chabrier, Satie and Ravel; 6.45pm; Mar 18
Carnegie Hall
Tel: 1-212-247-7800
● Hildegard Behrens: the soprano is accompanied by pianist Christoph Eschenbach; 8pm; Mar 16
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Voyage: by Glass. Conducted by Dennis Russell Davies and performed by the Metropolitan Opera; 8pm; Mar 18
New York State Theater
Tel: 1-212-875-5570
● La Traviata: by Verdi. Conducted by Robert Duerr and performed by the New York City Opera; 8pm; Mar 15

■ PARIS

CONCERT
Salle Gaveau
Tel: 33-1 49 53 05 07
● Nelson Freire: the pianist performs works by Beethoven, R. Schumann, Debussy and Chopin; 8.30pm; Mar 19
THEATRE
Odéon - Théâtre de l Europe
Tel: 33-1 44 41 36 36
● King Lear: by William Shakespeare (in French). Directed by Georges Lavaudant; Tue, Wed, Fri, Sat 8.30pm, Thu 7.30pm, Sun 3pm; from Mar 20 to May 12 (not Mon)

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: violinist Frank Peter Zimmermann and cellist Mario Brunello perform works by Brahms and Dvorák; 7pm; Mar 16, 17 (5.30pm), 18 (9pm), 19 (7.30pm)

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Opera Stockholm; 3pm; Mar 16

■ STUTTGART

OPERA
Staatstheater Stuttgart
Tel: 49-711-20320
● Der fliegende Holländer: by Wagner. Conducted by Marc Albrecht and performed by the Oper Stuttgart; 7.30pm; Mar 17

■ SYDNEY

EXHIBITION
Museum of Contemporary Art
Tel: 61-2-241-5876
● From Christo and Jeanne-Claude to Jeff Koons: John Kaldor Art Projects and Collection: the first public showing of Australian patron Kaldor's collection. Works by contemporary artists Carl Andre, Joseph Beuys, Christo and Jeanne-Claude, Donald Judd, Sol Le Witt, Roy Lichtenstein, Mario Merz, Robert Rauschenberg, Meyer Vaisman and Australian artists Aleks Danko, Mike Parr, Imants Tillers and Ken Unsworth; to Mar 17

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Klangforum Wien: with conductor Zolt Nagy perform works by Furrer, Lopez, Haas and Faber; 7.30pm; Mar 18
DANCE
Wiener Staatsoper
Tel: 43-1-514442960
● Staatsopernballet: four choreographies by George Balanchine; 7.30pm; Mar 16, 20 (8pm)
OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Götterdämmerung: by Wagner. Conducted by Peter Schneider and performed by the Wiener Staatsoper; 5pm; Mar 17

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Copland and Mahler; 3pm; Mar 17

■ ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Il Trittico: by Puccini. Conducted by Marcello Viotti and performed by the Oper Zürich; 7pm; Mar 16, 19 (7.30pm)

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Economic Viewpoint · Samuel Brittan

Marx should be living now

US financial markets have been shaken out of their preoccupation with mythical recessionary dangers. But European markets follow the US too slavishly

Karl Marx would have given a portion of his anatomy for the accurate headline in last Saturday's Financial Times: "US markets in turmoil after sharp rise in jobs". It would have supported his belief that good news for the workers was bad news for capitalists, and that the system could survive only with a "reserve army of unemployed".

He may, however, have been right. For the "reserve army" was just another way of saying that an economy requires some reserves of under-utilised labour, as it does stocks of goods, undeveloped land and other factors of production. He erred only in supposing that these reserves could be dispensed with under any system that avoided direction of labour.

The concept was reinvented by Milton Friedman under the name of the "natural rate of unemployment" to show that governments could not spend themselves into target rates of growth and employment. The idea has now been disguised under the technical-sounding name, Non-Accelerating Inflation Rate of Unemployment (NAIRU), on which most mainstream economists are now brought up, irrespective of how they vote

Of course, one must add the caveat that there is nothing natural about the natural rate, and there are many reforms that could enable labour markets to balance at much lower levels of unemployment, as they do in the US compared with continental Europe.

But it remains true that if at any one time unemployment drops too far below the point of balance, labour shortages develop, inflationary symptoms mount up and some checking action by governments or central banks is as sure as night follows day.

One interpretation of the recent financial market shakeout in the US is a sudden realisation that, so far from facing recession, the US economy was likely to show adequate growth rates and at least normal rates of capacity utilisation. The markets, therefore, lost any reason to expect a reduction in US interest rates.

If there was anything pathological about US market behaviour, it was not the correction of the last few days. It was the earlier growth of recession fears on the basis of a couple of months' slowing down and the distortions following from a severe winter.

Much less justifiable is the slavish way in which financial markets in other countries with very different conditions follow the US. For there is little doubt that European countries have unemployment rates high above their NAIRUs. This is obviously the case in Germany and France, but is also true in the UK.

Patrick Minford argues persuasively in Economic Affairs that under-utilised reserves of UK labour are much higher than the unemployment figures suggest. But his main belief is that the natural rate of unemployment has dropped a lot as a result of supply-side measures. He has a chart showing how all the other forecasters in the Chancellor's panel of "wise men and women" have seriously overestimated either inflation or unemployment – and usually both – several times running.

Another criticism of mainstream analysis comes from the Centre for Economics and Business Research, which argues growth has been underestimated because of the difficulty of taking into account new products and processes. The immediate implications for policy are limited because both growth and productivity may be higher than official statisticians suppose, and this has, therefore, only a modest effect on the amount of unused capacity in the economy. Looking further ahead, however, there is reason to worry about the growth of money and credit. These are now rising above their monitoring ranges by too great a margin to be accommodated by productivity miracles and could easily ignite new inflation in two or three years.

Treasury and Bank of England officials who explained away the money and credit upsurges of the 1970s and 1980s are at it again this time. It is quite possible for both criticisms to be correct. Demand could be highly deficient now but become excessive in the late 1990s.

This leads us to last week's UK base rate cut from 6¼ to 6 per cent. The pious explanation is that the Treasury and Bank updated their forecasts of inflation in two years' time, concluded it was likely to be below the target of 2½ per cent and cut rates again.

You can tell that to the marines. The role of forecasts is largely ritualistic. If inflation is below expectations for several quarters while output remains sluggish, the inflation forecasts get revised downwards. The forecasts are not telling us anything. We are telling the forecasts.

The alternative cynical explanation – that the Chancellor is just reducing interest rates to stoke up a feel-good pre-election atmosphere – is equally wide of the mark. Kenneth Clarke is well aware that if he takes obvious risks in managing the economy, the public will be suspicious; he would be prepared to move interest rates in either direction if necessary.

In the UK, as in most other countries, nominal demand is increasing by 4 per cent per annum or even less – well short of the 5 per cent or so which most of the central banks believe to be the safe limit. So the balance of arguments still points to continued small-bite monetary relaxations. The proviso is that policymakers must be prepared to reverse course if there is the slightest sign of demand increasing too quickly after all.

Do not scoff. There have been several examples of interest-rate increases within nine months of an election. These include Anthony Barber in 1973 (admittedly after the oil crisis), Denis Healey in 1978, Geoffrey Howe in 1983 and Nigel Lawson in 1986. It is true there were usually cuts in the months before polling day, but often not enough to reverse previous rises. It is rather sickening to see City analysts becoming more cynical than the politicians they profess to despise.

Admittedly bond markets are giving a thumbs-down to further relaxation. Yields worldwide are half to one percentage point above their January low point. Yet the bond and money markets are inhabited by fallible mortals who can be as over-cynical as the rest of us.

The need is to persevere with interest rate reductions – especially in Germany – until there are actual signs, and not just predictions, of nominal demand rising too fast.

* * *

Meanwhile, the most striking feature of bond yields is their international dispersion. Japanese yields are still far and away the lowest – a reflection of recent deflationary conditions when consumer prices have actually been falling. US yields are above German ones on shorter maturities but below them on longer-term bonds. This could reflect a belief in an eventual real revaluation of the dollar against the D-Mark.

The table also shows that UK rates are higher than those of any of the Group of Five leading industrial countries for all maturities. There is a premium on UK yields of about 2.3 percentage points relative to German ones on five-year bonds, and one of 1.6 points for 10-year bonds. By contrast, the French premium is only 0.6 percentage points on five-year bonds and almost zero for longer-term issues.

The pattern suggests that the markets believe the two countries will form an Emu core without the French devaluation that so many English-language analysts have tried so hard to foment.

The much higher UK premium at the very least shows that sterling's trend against the D-Mark (and its euro successor) is expected to be downwards. This does not augur well for British inflation performance outside Emu, despite reassurances to the Eurosceptics given by Eddie George, the Bank of England governor.

Some of the other differentials are also enlightening, particularly the one or more percentage points by which German bond yields exceed Swiss ones. This is often said to reflect the fears, especially of German investors, that the euro will not be as good as the D-Mark and the consequent desire to find a refuge.

Thus, Germany has higher rates than Switzerland because of the suspicion of the Euro; and the UK has higher rates still because of a fear that sterling will not even be as good as the still-to-be-proven new currency. Alas financial markets are less likely to be wrong here than in their views on the short-term scope for stimulation in European economies.

World fixed interest yields

At 1pm 13.3.1996

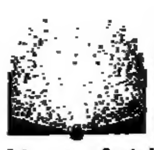
	US	Japan	UK	Germany	France	Switz
3-month	5.09	0.38	6.25	3.23	4.12	N/A
1-year	5.40	0.75	5.89	3.35	4.35	N/A
2-year	5.72	0.92	6.67	3.96	4.89	N/A
5-year	6.02	1.82	7.60	5.31	5.91	4.02
10-year	6.34	3.05	8.06	6.51	6.68	4.30
30-year	6.65	N/A	N/A	7.29	7.49	N/A
CPI	2.70	-0.20	2.90	1.50	2.00	0.80

UK index-linked: up to 5 years 3.00, over 5 years 3.80 Source: Reuters

BOOK REVIEW

THE WINNER-TAKE-ALL SOCIETY
By Robert H. Frank and Philip J. Cook
Free Press, 272pp, $25

To the victor the spoils – and then some



Will Carling's eight-year stint as captain of the England rugby team may have left him comfortably wealthy, if uncomfortably prominent in the gossip columns. But he has the misfortune to be stepping down just as a wall of money is about to hit European sport. Satellite television and the lifting of rules on transfer payments, amateur status and the like are multiplying the riches which the stars of these professions will receive.

The same phenomenon can be seen in such diverse professions as law, investment banking, films, and pop music, where the handful of top people receive a share of rewards that is often hard to relate to performance. The merely competent, one rung below, receive a tiny fraction.

Leftwing commentators maintain that this phenomenon reflects the way that society and its "fat cats" have become greedier. Rightwing politicians often say that inequality is inevitable if there are to be adequate incentives for doing well: some will earn more because they are more talented or work harder.

Neither of these explanations is right, according to this ambitious and provocative book. The authors, professors at Cornell and Duke universities, argue that the superstar phenomenon is becoming more pronounced because of the communications revolution and the globalisation of industry. They hold this trend responsible for growing income inequality, and argue that it is also socially wasteful.

There are several plausible reasons why winner-take-all markets should have become more common. One is the removal of rules which prevented competition for the best people – in football, for example, the lifting of restrictions on the transfer of European players is sending the fees of the best soaring. But a more important change is the falling cost of transport and communications. These have created global demand for the best products, and made it possible for them to be distributed worldwide.

Falling distribution costs explain much of the change in pay packets in popular entertainment, the authors say. If it "costs no more to stamp out compact discs from Kathleen Battle's master recording of Mozart arias than from her understudy's, most of us listen to Battle". As a result, she can "write her own ticket".

Expansion of markets also helps explain why lawyers, bankers and consultants can also now earn superstar fees, the authors suggest. The money at stake in takeover deals or court cases has grown, and so has the value of hiring the best in each profession.

Product markets, like labour markets, are also showing these characteristics. Many inventions become more valuable as more consumers use them, such as telephones or video recorders. Some eventually become the standard of an entire industry: Microsoft Windows, the computer operating software, is now installed on 90 per cent of the world's new personal computers.

The authors argue that this concentration of financial rewards in the hands of a few explains the growth in US income inequality better than traditional models. They also suggest that winner-take-all markets are socially inefficient: the lure of great wealth encourages too many contestants to enter a market. People generally overestimate their chances of writing a blockbuster novel or starring in a film. It would be more useful to society if these talents were employed elsewhere, they say.

There is much that is convincing in this account, and even more that is entertaining. However, the authors overstate their case by a long way.

They indulge themselves too much in spotting winner-take-all characteristics in professions without clear "winners", such as dentistry or cosmetic surgery. They shuttle with too little discrimination between winning individuals and winning products. The analogies are not always apt, and the argument about the causes of income inequality is muddied. A good product may not enrich a single person; if many people hold rights to it, inequality will not increase.

Despite an enjoyable cascade of examples, it is regrettable that the authors never attempt to quantify the effect of the phenomenon on inequality. There are, indeed, many reasons to believe the impact is far smaller than they imply.

For a start, many corporate financiers and lawyers have made a fortune from the "boutique" effect: as a market grows, it supports more small, specialised companies. This helps spread remuneration more widely. Second, the size of markets in film, fashion and books is not fixed. Their value fluctuates hugely, depending on the products' appeal; new stars can sell millions without denting the money of those already there.

There are also many benefits of winner-take-all markets. Consumers gain when technology allows them to be served by the world's most talented people.

The most serious shortcoming of this account is that blaming the incomes of the rich for social problems is a way of avoiding the underlying causes of those problems. For example, the proliferation of US lawyers stems in a large part from the litigiousness of US society; the lure of making a million bucks is hardly the whole answer.

Extreme wealth will always trigger moral indignation. But the authors fail to show that the world would be a better place if these excesses were curbed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 [illegible] to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in [illegible]

Paving the way for higher education funding

From Ms Diana Warwick.

Sir, Your leader "PFI, not bad?" (March 11) describes the alleged virtues of the Private Finance Initiative. It is difficult to see these virtues from inside the university system. Universities in England are about to suffer a 47 per cent cut in capital funding in the three years to 1998-99 on the government's mistaken assumption that PFI schemes will fill the gap.

The capital grants that universities receive are not only for "bricks and mortar". They are widely used for the purchase and maintenance of teaching and research equipment essential to produce the world-class graduates which sustain the UK economy. Cost-savings in equipment purchase through the PFI are unlikely if good procurement procedures have been followed. There may, in fact, be additional costs. The cut in capital will mean less will be spent by universities on equipment, and this must have a significant effect on suppliers of academic equipment.

Some university buildings do produce a separate income stream and PFI schemes may be appropriate in these cases. However, most university construction work is for academic buildings, libraries and maintenance. These do not normally offer additional income-generating opportunities. Normal loan finance typically provides better value for money than PFI for these schemes.

Universities already make extensive use of private finance through direct borrowing from banks, or using direct appeals. Private funding obtained in this way usually represents a good deal as universities are seen as good risks and can secure competitive rates, often more favourable than can a private developer within the PFI.

The substitution of private capital for public investment, through loans or the PFI, means an additional charge on universities' recurrent funds which have been subject to a severe squeeze per student over the past few years. CVCP hopes the Dearing inquiry will pave the way for a new higher education funding system based on contributions from graduates according to their income. This will give universities the capital and recurrent funds they need to deliver world-class education.

Diana Warwick,
Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom,
London WC1H 9EZ, UK

European hegemony

From Mr K. A. Willson.

Sir, Robin Teverson ("Failure of EU parliaments", Letters, March 9/10) seeks union of Europhobe and Europhile. This week's white paper is a sham. Many, if not most of us, would be delighted to revert to a common market, the Economic Community (or less), without the trappings of a contrived union regimented by bureaucrats against the best interests of the electorates. Unite for fear of a "revival" of the old Germany is the call. Here we have hegemony attempted by economic means, which miracle itself appears to be failing spectacularly. Do not put all your eggs in one basket. Better to trade with the world and not rely on a cosy utopian-driven ideal.

K. A. Willson,
Fleet, Hampshire
GU13 9LS, UK

Reform required to beat corporate bribery

From Mr Karl A. Ziegler.

Sir, Your leading article ("Ending trade corruption, March 8) points out that corporate bribery, to win business overseas, is ultimately a mug's game. When companies are able to write off "selling expenses" against taxes due, they may feel vindicated in thereby winning some contracts in the short term. However, when the level of corrupt payments required to do the same business rises annually, serious companies must start to advocate worldwide reforms.

Exposure and prosecution of corrupt givers and takers of bribes is on the increase due, in large part, to the efforts of The Fifth Estate – the world's inquisitive press. People interested in fair trade and unfettered economic growth – many of whom are disenfranchised, poorest members of developing societies – will be most grateful for increased exposure of corrupt ruling elites within their fragile economies.

When "northern" exporters of goods and services increasingly lose market share to less scrupulous or bigger bribe paying "southern" suppliers, they will probably scream for a level playing field. When "big ticket" construction or weapons contracts are involved, and fewer decision-makers are instrumental in awarding contracts, the innate secrecy invites corrupt payments. When secrecy combines with ease of money-laundering, corruption thrives.

Therefore, the oxygen for banking corrupt payments, provided by the ever-expanding offshore banking industry, must also be frustrated by multinational sanctions and legal intervention.

Karl A. Ziegler,
The Centre for Accountability and Debt Relief,
Kinnerton St.
London SW1X 8EL, UK

Catching on

From Chalmers H. Goodlin,

Sir, Apparently Pat Buchanan reads the Financial Times. In Texas, he was seen wearing a white hat.

Chalmers H. Goodlin,
2615 Granada Boulevard,
Coral Gables,
Florida 33134, US

Toughness at all costs

From Mr Paul Cavadino,

Sir, The Lord Chief Justice's criticisms of the home secretary's sentencing proposals understandably concentrate on the injustices which would result from the changes ("Lord Chief Justice rejects Howard proposals", March 7).

However, there is a further practical consideration of deep concern to those working to rehabilitate offenders – that Mr Michael Howard's measures would also prevent courts from passing the sentence most likely to stop reoffending.

For example, many repeat burglaries are driven by the need to feed a drug habit. Where the offender is willing to co-operate, probation and drug rehabilitation is much more likely than custody to prevent further crime. Yet with mandatory prison sentences courts would be forbidden to use this option.

The home secretary's proposals would therefore sacrifice both effectiveness and justice to a desire to emphasise toughness at all costs.

Paul Cavadino,
169 Clapham Road,
London SW9 0PU, UK

More than a rogue trader

From Mr Paul Cleary,

Sir, If Nick Leeson wants to make a dent in the literary world then he should come up with a more imaginative title than *Rogue Trader*. May I suggest one of the following:

Baring my Soul; Back to the Futures; Singapore Sling; Nikkei Owl; How I put the Sentex in Simex; The Luck of the Draw; or Blame it on the Raffles.

Paul Cleary,
Glassblaservelen 7c,
N 3039 Drammen,
Norway

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday March 14 1996

Peace versus terror

Moshe Dayan, Israel's defence minister in the 1967 war, once said he would rather have "Sharm el-Sheikh without peace than peace without Sharm el-Sheikh" (the tip of the Sinai peninsula, which Egypt had used to cut off Israel's access to the Indian Ocean). Wiser counsels eventually prevailed, and Israel gave back Sharm el-Sheikh in return for peace with Egypt. It was an appropriate place, therefore, for President Hosni Mubarak to host yesterday's summit, the purpose of which was not to threaten Israel but to assure it of the world's solidarity in the face of the threat it now faces.

That threat no longer comes from the armies of neighbouring states, but from Palestinian suicide bombers mingling with Israel's civilian population. Such acts are exalted in Islamic terms, but that is a perversion of Islam, as King Hussein of Jordan reminded the conference. "Suicide is not martyrdom," he said. "The killing of innocent people is not 'jihad' ... Islam strictly forbids the killing of civilians."

King Hussein also said that "if we are to eliminate terrorism, we must establish an international mechanism to define it". That is something experts have always found difficult.

Those who have to fight terrorism cannot afford to wait for an agreed definition. People need to be protected, as far as they can be.

All too many states in recent years have had to confront terrorism. By sharing the expertise so painfully acquired, they can help each other improve the rate of prevention and detection. They can also exchange intelligence, extradite suspects, and clamp down on activities in one state aimed at financing terrorism in another. But democratic countries can only extradite to others where they are confident the accused will receive a fair trial, and be treated humanely. And they can only restrict otherwise legal activities if there is clear proof of evil intent.

Similar considerations affect the treatment of states accused of sponsoring terrorism. Shimon Peres, the Israeli prime minister, declared boldly yesterday that the terrorism Israel faces "is spearheaded by a country, Iran".

The US apparently agrees, but other governments, notably in Europe, remain unconvinced. They see the causes of Palestinian terrorism as mainly internal to Palestine, and the Iranian regime as one given to provocative rhetoric but pragmatic in its actual behaviour: one which needs to be kept under pressure but with which trading links and channels of communication should be maintained.

If the US and Israel are to persuade them otherwise, they need to use hard evidence and carefully reasoned arguments. Emotional condemnations, however understandable, do not amount to a strategy.

Smoke signals

News yesterday that Liggett Group, the smallest of the five big US tobacco companies, is offering to settle an important law suit brought by smokers, initially sent tremors through the stock market. Further examination showed the proposal was not as far-reaching as it first seemed since it owed more to the corporate ambitions of Mr Bennett Lebow, chairman of Liggett's parent company, than to any real change in relations between the industry and its enemies.

Nevertheless, the latest developments damage the industry because they highlight the scale, cost and complexity of the myriad legal claims. They are also a painful reminder to tobacco companies of the dangers of abandoning a united front.

The industry has, until now, won all its smoking-related suits. Juries have dismissed claims brought by smokers on medical grounds, taking the view that smokers knew the risks they faced. However, companies now face new actions based on claims of nicotine addiction. It is these claims which Liggett has agreed to settle. It is also offering to settle claims by five states for costs for treating smokers and to accept tough proposed new federal rules on advertising.

Mr Lebow's motives are wholly connected with his bid to force RJR Nabisco, the second largest cigarette maker, to split its tobacco and food businesses. Such a division would until now have been almost certainly blocked in court by litigants claiming it was designed to take assets from those seeking damages. The proposed settlement would, therefore, remove a big obstacle to Mr Lebow's plan for RJR Nabisco.

Other tobacco companies, including industry leader Philip Morris, rightly declared they would maintain their determination to fight all legal claims. Nevertheless, Mr Lebow's moves show the dangers they face if one company breaks ranks.

The industry's armies of lawyers must once again have had a bumper day, analysing the ramifications. The companies never reveal their legal costs, but if they continue escalating, the temptation to settle will grow.

However, a full settlement is a distant dream. The addiction claims show lawyers can devise new avenues of attack even when all the established routes seem to have been defended. There could never be a guarantee that future cases would not be brought, especially as the industry continues to promote cigarettes aggressively, notably abroad.

Lawsuits have, over the years, forced the tobacco companies to take more care in selling cigarettes. But more important has been the change in social attitudes and regulations which have made smoking taboo. And this has been achieved at a fraction of the costs involved in litigation.

Referendum row

There is much to be said for the argument that if and when a future UK government decided to join a single currency it would be obliged to seek the consent of the people in a referendum. Whatever the pros and cons, there is little doubt that sterling's replacement by a shared European currency would be a decision of great political and economic moment. As such it would require explicit endorsement by the electorate in a general election or, more likely, a plebiscite.

But it is hard to see what is to be gained from the present damaging debate within Mr John Major's cabinet. The prime minister has made it clear that he sees little prospect of a single currency being established before the turn of the century. He has indicated that it is even less likely that a Conservative government would join such a venture. And yet he has decided that the issue of whether the UK would hold a referendum must be settled within the next few weeks.

The result has been a damaging and highly public rift with Mr Kenneth Clarke, the chancellor. Mr Clarke, backed by Mr Michael Heseltine, the deputy prime minister, and by one or two other cabinet colleagues, is adamantly opposed to the referendum pledge that Mr Major now seems intent on offering Tory Eurosceptics. The result has been the inevitable speculation that, should the prime minister force the issue, he might lose his chancellor.

Mr Major has been motivated by warnings from Conservative Central Office that Sir James Goldsmith's Referendum party could take vital votes away from Tory candidates fighting marginal seats at the general election. A majority in the cabinet also believes a referendum pledge would help preserve the uneasy truce on the Tory backbenches.

For his part, Mr Clarke offers several objections. He sees no place for a referendum in a constitution based on the sovereignty of parliament. He believes the outcome of a plebiscite could well depend on the popularity of the government of the day rather than on the merits of the argument. Most importantly, he considers that offering a referendum simply to placate the Tory Eurosceptics would be to invite them to make further demands before the election.

Mr Clarke is probably being too dogmatic. Many of his pro-European friends believe this is not the issue on which to take a stand against the Eurosceptics. Yet Mr Major must have been aware of the chancellor's strongly-held views when he put the issue back on to the agenda.

Unless a compromise can be reached, the outcome will be either an embarrassing climbdown by Mr Major or Mr Clarke or, possibly, the chancellor's departure. It would be absurd if so little had been learned from the damaging divisions in Downing Street which only a few years ago destroyed the then Margaret Thatcher's premiership.

The online challenge flowers

Louise Kehoe and **Paul Taylor** on how the growth of the Internet is revolutionising the competitive environment for business

Rapid growth of the Internet, bringing online information services to millions of businesses and individual computer users, is changing the way businesses communicate with their customers, suppliers and within their own organisations.

For many industries and companies the Internet spells opportunity. Others, however, are struggling to come to terms with technology that could undermine long-established business patterns.

Even industries that have so far observed the Internet with only mild interest may quickly find themselves challenged by new developments.

Reed International, the world's largest publisher of academic journals, is one company that has already felt the pressure. Its share price fell sharply in December when Forbes, the US business magazine, suggested it might become the first "victim" of the Internet because colleges and libraries would cancel subscriptions in favour of finding research papers online.

The Internet also has serious implications for the telecommunications industry. Companies such as AT&T in the US and British Telecommunications have recently jumped at the opportunity to sell online services to businesses and individuals. However, it will soon be possible to hold conversations over the Internet (although the software already exists, the voice quality is inferior). Since users normally pay local call rates for access to the Internet, this will undermine the "price-per-distance" business model of the telephone industry which allows them to charge much more for long distance calls.

Mr Peter Dawe, founder of Unipalm Pipex, the leading UK-based Internet service provider, argues: "The telephone tariff system is stupid. It is fundamentally a fixed cost system, but we pay for it on the basis of a variable – namely voice minutes. What is more, where the charges are levied bears no relation to where the costs occur."

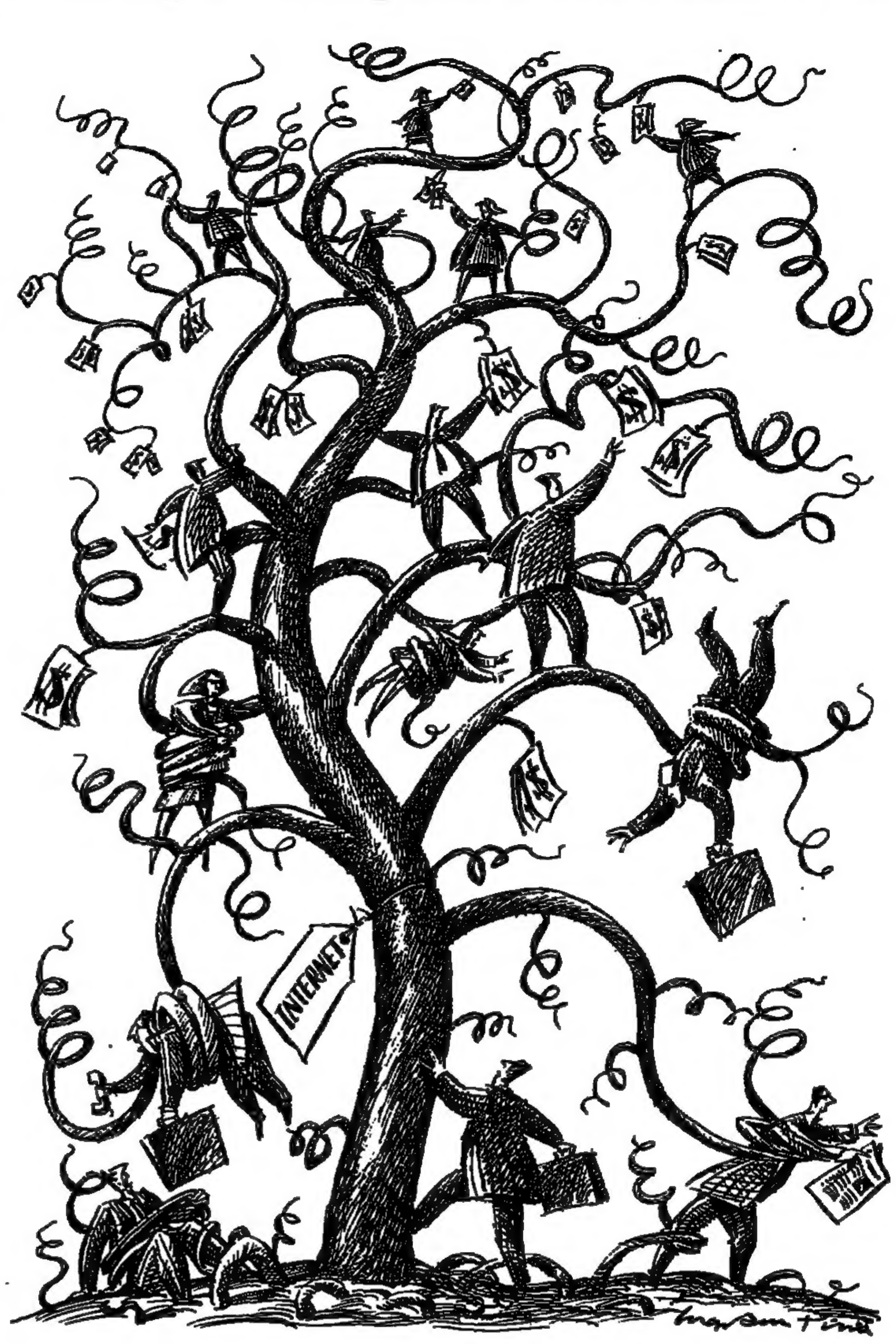
The Internet also poses a threat to companies in almost any information-based service. It provides a cut-price and increasingly secure delivery mechanism that new entrants can use without building a high street branch network.

Banks and financial services companies are particularly vulnerable, as the establishment of Internet-based competitors shows. Several online electronic payment systems have already emerged while Security First Network Bank, established last year by Cardinal Bancshares, a small Kentucky savings and loan group, is the first financial institution to offer online banking over the Internet.

Concerns about security – exacerbated by incidents that have exposed the vulnerability of supposedly secure software to hackers – have made banks cautious about such online services. Nevertheless, Wells Fargo, a large US west coast bank, has announced it plans to offer banking services on the Internet later this year and competitors are expected to follow suit.

As Datamonitor, the market research group, noted: "Banks must act now to secure their share of the Internet payments market ... otherwise they face the prospect of having their role overshadowed by third parties, with disastrous effects on their core business."

The growth of the Internet also poses a challenge to traditional stock brokerages, with the development of online securities trading services. E*Trade Securities, a pioneer of securities trading via online services, recently launched an Internet service providing almost instant confirmation of US share and options trades.



Yet while some industries may see the Internet as a threat, others perceive the global computer network as an opportunity to expand and operate more efficiently. Last year there were about 56m users worldwide, according to IDC, the technology market analysis group. IDC predicts that about 200m people will be on the Internet by 1999.

The growing interest in tapping this potentially enormous market is shown by the number of businesses and other organisations creating computer "hosts" – machines that hold data or programmes which can be accessed by Internet users. In the past six months, the number has grown 44 per cent to 9.5m.

So far, the biggest "winners" have been companies providing software, computer equipment and access services that form the infrastructure of the global network. Chief among these is Netscape Communications, the software company that burst on to the market last year with its Network Navigator browser which provides an easy way to find information on the Internet.

Success goes to those who are quick to recognise trends, says Mr Jim Barksdale, Netscape president and chief executive. "Bill [Gates, chairman and chief executive of Microsoft] didn't see this coming. Larry [Ellison, chairman and chief executive of Oracle] didn't see this coming." Now two of the world's largest software companies are trying to catch up with a company that was formed less than two years ago.

Hundreds of new companies have been formed to supply Internet-related products. These include software to protect businesses from hackers, multimedia design services to help companies create attractive pages on the Internet, and search facilities to guide users through the labyrinth of the Internet.

There are also sales opportunities for computer manufacturers such as Digital Equipment and companies such as Cisco Systems, which supply equipment that links data communications networks through the Internet. Sun Microsystems, the computer workstation manufacturer, has become the top supplier of "servers" for the Internet and developed Java, which writes computer applications on the Internet.

However, many information technology companies are facing competitive pressures from the Internet. These include Novell and Lotus, a subsidiary of International Business Machines, which have found their networking and "workgroup" software losing out to the Internet and "intranets" – internal corporate networks using similar software and communications standards.

Also directly affected are proprietary online information services such as America Online, CompuServe and Prodigy which provide consumer information services including electronic meeting places or "chat-rooms". They must now compete with direct Internet access providers, such as Netcom and UUNet in the US and Pipex and Demon Internet in the UK. Some online services, including the Microsoft Network and Apple Computer's eWorld, have been forced to retrench or close down.

However, the online service providers are strongly placed to benefit from the huge interest in information services generated by the Internet. Many home computer users prefer online services, because their "front-end" software is easier to use than the direct Internet products.

"We have never viewed the Internet as competition," says Mr Steve Case, chief executive of America Online.

Newspaper publishers are also looking for new online sources of revenue if – as many expect – sales of their traditional paper-based products sag. Last year, the number of US newspapers publishing online editions on the Internet tripled to 175, according to the Newspaper Association of America. It is expected to double again this year.

Some online newspapers are planning to introduce subscription charges this year, but advertising looks to be a more promising source of publishing revenues on the Internet. Advertising revenues from Internet and on-line services totalled about \$55m (£36m) worldwide last year, according to Jupiter Communications, a US market research firm. But analysts predict it will rise to \$343m this year and \$5bn a year by the end of the decade.

While thousands of companies currently promote their products on the Internet, few have so far begun selling online. This is likely to change very quickly as the technology is developed to make payments securely via the Internet.

Internet shopping revenues were less than \$300m last year, compared with the \$57bn sales through speciality mail order catalogues in the US. Yet within a decade some analysts predict electronic commerce via the Internet could rise to as much as \$200bn a year.

Wal-Mart, the world's largest retailer, recently announced that it will open a storefront on the Internet this spring. "We believe that electronic retailing ... is an idea whose time has arrived," said Mr David Glass, chief executive.

Meanwhile in the UK, the Barclays group has launched BarclaysSquare, a virtual electronic shopping mall with sites rented to a wide range of retailers including Toys-R-Us and J. Sainsbury.

The anticipated rise in direct sales by manufacturers over the Internet is a challenge to distributors and retailers. However, it may strengthen the branded goods' appeal.

"On the Internet they don't know you're a dog," is an established truism.

For businesses, and investors alike, there are risks in both underestimating and exaggerating the potential impact of the Internet – surrounded as it is by hyperbole. As Charles Finnie and David Locke, analysts with Volpe, Welty, the US stock brokerage, put it: "The Internet will not cure cancer, ensure world peace or make you thinner."

Yet in the long term it is likely to "alter, perhaps obliterate, time-worn models of interaction and transaction among individuals and enterprises."

· OBSERVER ·

Finger licking bad, they say

■ American poultry producers and congressmen were outraged when Russia recently threatened to ban US chicken imports, claiming they failed basic sanitary tests.

US producers rejected the suggestion as a piece of blatant protectionism. Even Vice-President Al Gore entered the fray, banging his country's drumsticks – which for some peculiar reason are known as "Bush's legs" in Russia, in honour of the former Republican US president.

But maybe the Russians have a point. A report published yesterday gave stomach-churning details of how many US poultry carcasses are coated in a "fecal soup" of contamination. According to the US department of agriculture, 4m Americans become sick and 3,000 die each year from consuming contaminated meat and poultry.

Expect a wave of budding Russian entrepreneurs, marketing "clean" Slavic birds in the US.

Insane gesture

■ Taiwan isn't the only south-east Asian nation with Chinese jitters. Thailand rubs along well enough with China – and is keen to keep it that way, as Pierre Sane, secretary-general of the human rights group Amnesty International, found yesterday.

He was in normally tolerant Bangkok to launch a campaign denouncing torture and capital punishment in China. Thai Prime Minister Banharn Silpa-archa, due to visit China this month, took no chances. Unable to persuade the local foreign press club to deny Amnesty a venue for a press conference, Thai security officials detained two Amnesty staffers; Sane gave them the slip by leaving his hotel via the back door.

Olympic boycott

■ Observer's first law of selling is – hit the customer all ways. Delta Air Lines is a fine exponent of this axiom. Delta is the official carrier for the upcoming Olympic Games; naturally, it hopes to coin it by ferrying the hordes flocking into Atlanta.

But it also recognises that many local citizens anticipate little fun in the games and will flee for the hills. So it's offering discounted air fares to leave Atlanta during the games. Choose from 110 different destinations across the US, and get a reduction of 20-40 per cent.

Now, if only a television broadcaster can find a way of keeping pictures of sweaty athletes off the air, we might be okay.

You're fired

■ Senior managers at Pechiney might be wondering what to expect from Jean-Pierre Rodier, chairman of the French aluminium and packaging group, who has ordered them to find cost cuts totalling at least FFr1.5bn.

They should look to what he did four years ago at Belgium's Union Minière, which was in even worse shape than Pechiney. No saving was too insignificant as far as Rodier was concerned; by installing water fountains rather than distributing bottled water he saved BFr500,000 a year.

Perhaps Pechiney's consultants ought to be most worried. UM had so many that it took considerable time to manage them all. So Rodier introduced guidelines for a "just in time" or "using a consultant only when we are certain we need one" system, which he reckoned saved UM an annual BFr100m.

Demon bowling

■ Pakistanis don't easily accept defeat in cricket, a national obsession, especially when the winner is India – the other national obsession. Hardly surprising then, that Islamic fundamentalists have blamed the country's defeat in the quarter-finals of the World Cup on the godless festivities connected to the competition, including the involvement of an Indian beauty queen in the opening ceremony. Qazi Hussain Ahmed, a Pakistani senator, insists that because of this "extravaganza of vulgarity and immorality in the name of culture, the wrath of God had been invited and Pakistan lost".

English players can count themselves lucky; they merely stand accused of being useless.

Sharp shooter

■ The late Eric Sharp, who led Cable & Wireless into the private sector, would have been distressed by the recent shenanigans surrounding his old company. Having put C&W on the international map with a series of brilliant deals, such as the acquisition of the Hong Kong Telephone Company, he would have despaired at the cack-handed way it's apparently put itself on the auction block.

Nevertheless, Sharp would have admired C&W's ambitious plan to buy British Telecommunications. It had all the hallmarks of an Eric Sharp deal: not surprising, perhaps, given that his son, Richard Sharp, is one of the Goldman Sachs partners advising C&W.

Cleaning up

■ Ulster Unionist leader David Trimble is giving bath robes to President Clinton and Hillary when he visits the White House on Friday. Should come in handy when they get out of hot water.

The Financial Times

100 years ago

Italy and Abyssinia

Further despatches from Major Salsa state that the negotiations for peace have made much progress. No details are known, but a very confident feeling prevails in official circles. It is even asserted that the official announcement of the conclusion of peace will be made on Tuesday at the opening of Parliament. The "Italia Militare" states that the terms of peace offered by Menelik are more advantageous and honourable to Italy than could have been hoped for. He does not attempt to pose as a conqueror. *[An Italian invasion of Abyssinia (now Ethiopia) was defeated at the battle of Adowa by the Emperor Menelik II.]*

50 years ago

Prices marked down

Markets became definitely "political" yesterday on the latest Soviet-Persian developments. Lower and wider prices all round were quoted at the opening, mainly on the announcement by the U.S. State Department that Russian forces have been moving towards Teheran, the Persian capital. Towards the close an agency message that the Prime Minister of Persia had declared that he had no confirmation of the reported Russian troop movements was sufficient to bring about a small recovery.

FINANCIAL TIMES

Thursday March 14 1996

News Corp ally claims high-level Beijing contacts

Murdoch's Star TV may sign Chinese cable deal

By Tony Walker in Beijing and John Ridding in Hong Kong

Mr Rupert Murdoch's lossmaking Star TV network, in a new effort to break into China, is understood to be close to agreement with a Hong Kong-based company with high-level connections to the People's Liberation Army.

Star TV is hoping to involve either China Central Television (CCTV) or China's Ministry of Radio, Film and Television (MRFT) in a three-way deal with Carefree Development, an oil trading company, to establish a cable network possibly to be known as Phoenix.

Carefree has indicated to Star that its allies in the Chinese leadership include a member of the Central Military Commission, the top organisation of the People's Liberation Army (PLA).

However, CCTV is known to be unenthusiastic about a tie-up with Star, especially an arrangement under which it would be a minority partner. The deal proposed by Star would give Carefree, or an associated company, 45 per cent, Star would also have 45 per cent, and CCTV or the MRFT 10 per cent.

Senior CCTV executives have expressed surprise over recent reports that Mr Murdoch was on the verge of striking a deal which would give his Star network cable access to China. "We don't know where these reports are coming from and as far as we are concerned they are not correct," said a CCTV spokesman.

Star TV executives are discussing a memorandum of understanding with Carefree, which has representation in both Hong Kong and Beijing. However, it is not clear if such a "bare bones" agreement will lead to anything concrete for Star.

Approval would almost certainly require the approval of China's leadership. Beijing has resisted foreign involvement in Chinese media, fearing a dilution of its rigid control.

Mr Murdoch, whose Star TV is losing \$80m-\$100m a year, has been exerting pressure on his Hong Kong executives to break into the China market. "Rupert is on their backs the whole time over the China thing," said the representative of a western satellite provider whose company has business with Mr Murdoch's News Corporation.

But Mr Murdoch faces other obstacles. His 1993 statement that satellite broadcasting posed an unambiguous threat to totalitarian regimes has not endeared him to Beijing.

Star TV claims an audience of 32m households in China with its satellite broadcasts, but advertising revenues are thin and unless it can secure cable subscriptions for its programming, prospects for an early turnround in its fortunes are not good.

In Hong Kong, a Star representative refused to comment on a possible tie-up with Carefree, but hinted at an announcement soon. A Carefree representative also declined to comment.

Under Star TV's proposal, three channels would provide entertainment and sport.

But CCTV's ambitions pose a potential obstacle to Mr Murdoch's plans. A western media consultant familiar with CCTV said senior executives wanted to develop their own cable network and had already set up such a service.

But if Star does secure cable access to China's vast TV audience this would almost certainly prompt a "gold rush" by other broadcasters. Star would be most unlikely to be given a monopoly in the vast China market.

Summit pledges crackdown on terror networks

By David Gardner in Sharm el-Sheikh and Julian Ozanne in Jerusalem

Leaders of 39 nations agreed yesterday to crack down on terrorist networks as part of an international effort to salvage the Middle East peace process, endangered by recent suicide bombings in Israel.

Follow-up meetings to monitor progress in intelligence sharing and in a cross-border attack on sources of terrorism funds are to begin in about two weeks. They will be under US chairmanship and will report within 30 days, according to US President Bill Clinton.

Mr Clinton is co-host with Egyptian President Mr Hosni Mubarak of the one-day summit in the Egyptian Red Sea resort of Sharm el-Sheikh. The US president said of the Palestinian Islamist group, Hamas, whose four suicide attacks in nine days killed 58 Israelis: "You will not succeed; your day has passed. Peace will prevail."

In a message to the summit, Hamas defended its use of armed attacks against Israel as legitimate resistance against Israeli occupation of Arab lands, held in defiance of United Nations resolutions.

The summit, to garner international backing for a regional coalition against the bombers, pledged support for the Israeli-Palestinian peace accords, begun in 1993, and for continuing efforts to reach a comprehensive Middle East settlement, including Syria, which boycotted the meeting.

It also called for more financial aid for the Palestinian autonomous government headed by Mr Yassir Arafat, whose authority has been dented by Israel's blockade after the bombings and partial re-occupation of areas from which it had withdrawn.

"Our purpose here is to bolster confidence among Palestinians and Israelis, and for that we need peace, security and basic prosperity," Mr Clinton said.

Mr Arafat and Mr Shimon Peres, Israel's prime minister, who is struggling to avoid defeat by a right-wing coalition at elections in May, both said they were satisfied with the summit conclusions. Mr Arafat said later that Israel had given assurances that the blockade would be eased in the coming days.

The summit also brought together European Union leaders, including Mr John Major, the UK prime minister, and Germany's Chancellor Helmut Kohl, and was also attended by Russia's President Boris Yeltsin.

US officials said Mr Clinton, who arrived in Israel last night to demonstrate support for Mr Peres and the peace process, had asked Mr John Deutch, CIA director, to stay in Israel to begin co-ordinating the anti-terror drive.

Editorial comment, Page 13

World Bank asked to back debt plan

Continued from Page 1

and as many as 20 countries, mainly in Africa, could benefit from proposals, nearly a year in the making, which include:

- A trust fund, set up and administered by the bank, funded from the bank's surplus income and by aid donors. This, says the paper, "would be used to prepay or service a portion of the multilateral debt obligations" of eligible heavily indebted poor countries. The size of the fund is not disclosed, but could involve annual outlays of around \$400m;
- Paris Club rescheduling would be expected to rise from 67 per cent of debt stock to 90 per cent where necessary;
- New financing from multilateral lenders.

In a memorandum to the executive directors, Mr Wolfensohn says: "The essence of the proposal is to offer those heavily indebted poor countries with unsustainable debt burden and which demonstrate a record of sound economic policies and management, the assurance that their debt burdens will be brought down to sustainable levels within a reasonable time period." It might entail reducing the present value of debt owed to multilateral creditors, "but the actions proposed are designed to fully protect the financial integrity and preferred creditor status of the multilateral institutions".

Day of reckoning rubs the shine off the 'glistening' bank

By Kevin Done, East Europe Correspondent, in London

The slabs of rough-hewn Carrara marble, the mirrored ceilings and the marble floors still adorn the entrance halls of the European Bank for Reconstruction and Development in the City of London. But on the 11th and 12th floors, the building workers have moved in.

The beautiful light sycamore panelled offices, where Jacques Attali once held court on the top floor as the first president of the EBRD, have been given over to the more mundane purposes of a training room.

Flip charts, an overhead projector screen and utilitarian chairs and desks clutter the view of the exquisite designer cabinets and bookshelves.

The moment of final balance sheet reckoning, at what was once ironically called the "glistening bank", has arrived. In its profit and loss account for 1995, the bank says the depreciation charge has been doubled to Ecu21.46m (\$26.8m) following "measures taken to achieve a more efficient use of the headquarters building".

Behind the cold figures, the bank, established in 1991 to assist in the painful transition process in central and eastern Europe, is coming to terms with its lavish early years.

The 12th floor is being given over to training and offices for the banking staff. On the 11th floor the long corridors of executive dining rooms, each one bearing the name of a European composer, are being dismantled.

Now the directors eat in the ground-floor staff restaurant, and the guest dining room is next door with the same food.

In early 1993 the EBRD was engulfed by controversy over the extravagance of its £55.5m expenditure on fitting out the building. Under heavy attack for his own profligate management style, Mr Attali departed.

The new regime of Mr Jacques de Larosière was quick to change course and for the past 2½ years the EBRD has been on a crash slimming course. Saws are cutting into the carefully crafted wooden floors at the top of the building to install sockets and wiring for PCs for the bankers.

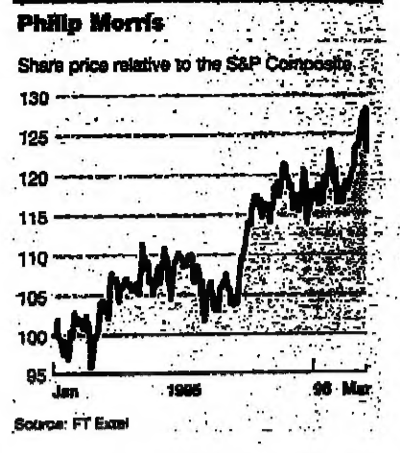
The architecture critics who heaped plaudits on the building at its inauguration may well be appalled, but the EBRD is clearly hoping that the impact on its shareholder governments will be more benign, as it seeks backing for a doubling of its equity capital at its annual meeting in Sofia, Bulgaria next month.

THE LEX COLUMN

Smoke alarm

Liggett's decision to become the first cigarette company to settle a lawsuit does not spell doom for tobacco stocks. Liggett is not settling because it was afraid of losing, but because, as the smallest of the US tobacco groups, the legal costs of the various class actions were becoming a burden. For the bigger groups, these costs are much less of a problem. Moreover, Liggett is not admitting liability, so its move is unlikely to spark a rush of new litigation. That is why shares in market leader Philip Morris fell less than 3 per cent. By contrast, the near-7 per cent drop in BAT shares looks like an overreaction.

FT-SE Eurotrack 200: 1646.6 (+3.0)



Source: FT Extel

South Africa

South Africa's government may be cash-strapped, but yesterday's budget underlines its eagerness to woo investors. Taxes on share transactions and dividends have both been halved; and the new tax on pension funds' interest and rental income is less draconian than feared. The nagging problem remains the bloated budget deficit. This is to be cut a little. But at 5.1 per cent of gross domestic product next year – a figure flattered by oil sales – it is still too big.

The deficit is eating up a hefty chunk of South African savings, which could otherwise be financing growth-generating private investment. And it is keeping real interest rates too high. Meanwhile public spending is still growing faster than inflation, taxes are growing even faster and privatisation proceeds are still nil. This is not a helpful cocktail for an economy whose biggest need is to accelerate its growth.

Many in South Africa will also have been disappointed not to see further relaxation in exchange controls: expectations had been running high. Given the recent sharp drop in the value of the rand, it is perhaps not surprising that the government is cautious. But the rand's fall is really a reason for pressing on, not holding back. For one thing, until exchange controls go, speculation about further relaxation will itself encourage volatility of precisely this kind. For another, now that the currency has fallen, the market is more likely to take relaxation in its stride. Everyone agrees that the controls should go: there is a powerful case for getting on with it.

BP

British Petroleum certainly knows how to please investors. The company's new target – a 50 per cent increase in earnings over the next five years – is no more than most were expecting. But what cheered the market was that BP managed to make this goal, which amounts to boosting earnings by \$1.5bn, look easy: new targets for its individual divisions add up to additional earnings of \$2bn, even without including the \$200m cost savings expected to flow from BP's recent deal with Mobil.

Achieving all these divisional figures, though, would be a minor miracle. They assume, for example, that new investments – in service stations, and in Asian chemicals – will generate \$450m in extra profit. This would amount to a post-tax return of 15 per cent, which looks distinctly optimistic. And although cost-cutting in refining and marketing is excellent news, how far it will feed through to healthy profit increases is debatable: competitors will inevitably follow suit, and prices will fall. Moreover, the targets assume that external circumstances – such as the oil and chemicals prices – will not change. That is most unlikely.

On the other hand, even if investors should take BP's more aggressive divisional targets with a pinch of salt, they should not criticise the company for setting them. On the contrary, they should take comfort from the fact that, by setting tough targets, BP's management is still pushing the business to perform.

Unilever

Unilever's management reorganisation is a long overdue bit of modernisation. By the group's own account, most of its top executives had a mix of responsibilities, setting strategy in some areas and running operations in others. As often as not, the result was confusion. In future, a seven-man committee will set the strategy, while 14 new business groups are being set up actually to run things. That Unilever has only just recognised the need clearly to separate the two speaks volumes about its culture – most of its competitors have been operating like this for years.

How quickly this exercise leads to change on the ground remains to be seen. After seven months of gestation and the employment of four separate management consultants, the market was hoping for something more far-reaching. But Unilever is acutely aware that it has been losing ground to rivals like Procter & Gamble. As the new structure is implemented over the next few months, it is likely to trigger further restructuring and disposals.

Even so, Unilever has shied away from a more fundamental reorganisation. The group will continue to operate with two boards, two co-chairmen, separate headquarters in Holland and the UK and two classes of shares. A commitment to sweep away that dual structure – as tax and legal issues permit – would have given yesterday's reorganisation real bite.

Reed Elsevier

Reed Elsevier is preparing the market for its next big deal. The sparkling performance of Lexis-Nexis, the media group's last big \$1.5bn purchase, suggests investors should welcome the prospect. Operating margins at the US legal publisher have risen from 10 per cent in 1993 to 19 per cent last year. The effect has been to boost Reed Elsevier's pre-tax profits by £24m (\$36.7m), once the cost of financing the acquisition is deducted.

The near 7 per cent enhancement to earnings has been even sharper because of the deal's tax-efficiency. If Reed can improve Lexis-Nexis' margins to the 25 per cent enjoyed by West Publishing, its main rival, shareholder value will have been dramatically improved.

The next acquisition could be bigger. Without a purchase, Reed Elsevier will have no net debt by the year-end. Even a £8bn acquisition could be comfortably financed, as net debt would only be a quarter of the group's market capitalisation. If Reed Elsevier could work the same magic as it has with Lexis-Nexis, shareholder value would again be enhanced. Anybody tempted to invest in anticipation of such an acquisition should buy Reed shares which, for some mysterious reason, are 14 per cent cheaper than Elsevier's.

Additional Lex comment on Schroders, Page 22

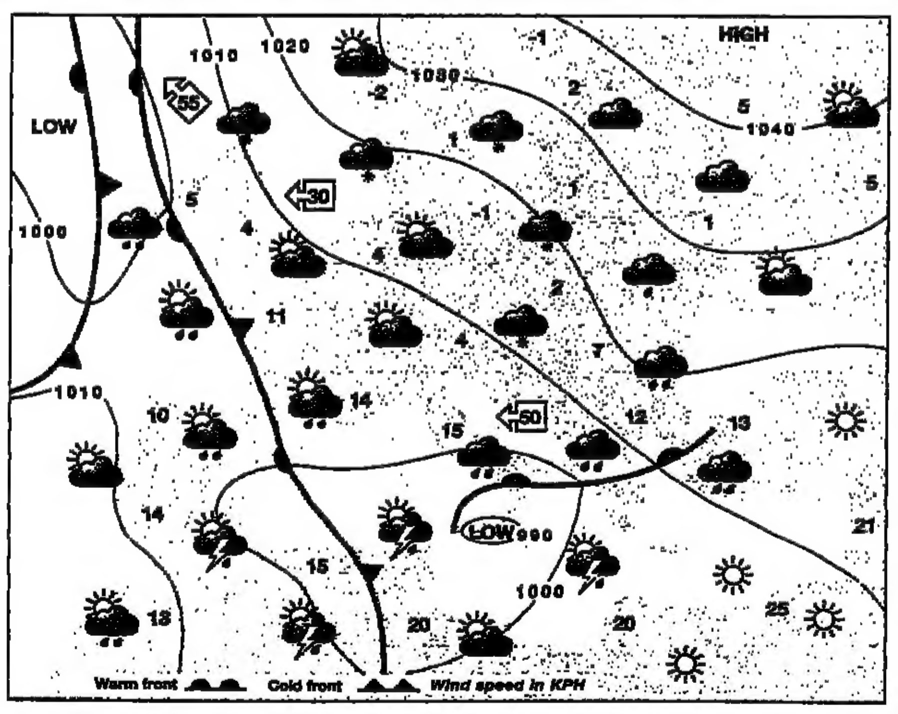
FT WEATHER GUIDE

Europe today

High pressure over north-western Russia will push several low pressure areas towards the Mediterranean. Rather cold easterly winds circulating around the high will sweep across the northern parts of the continent, keeping temperatures below seasonal levels. Eastern Europe will have cloudy periods with patchy snow in Poland and the Czech Republic. The Benelux, Germany and north-eastern France will be dry with sunny periods. A series of low pressure areas will cross the UK and Spain towards southern Europe. As a result, Ireland and western and southern France will have rainy periods. Spain will have several showers. Plenty of rain is also expected in southern Italy, south-east Europe and later in Turkey. Southern Europe will turn milder with some afternoon temperatures exceeding 15C.

Five-day forecast

Low pressure areas will linger over the UK and southern Europe, producing cloud, showers and periods of rain. Skies in southern Spain will clear. The Benelux and Germany will have increasing cloud followed by patchy rain. Temperatures will rise, despite the prevailing easterly winds. During the weekend, maximum temperatures will be about 8C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	9	Caracas	fair	32	Faro	cloudy	15	Madrid	shower	11	Rangoon	sun	34
	Celsius		Belfast	rain	5	Cardiff	drzzl	6	Frankfurt	fair	4	Majorca	rain	15	Reykjavik	rain	5
Abu Dhabi	fair	22	Belgrade	fair	9	Casablanca	shower	15	Geneva	fair	9	Malta	rain	16	Rio	cloudy	25
Accra	shower	31	Berlin	cloudy	1	Chicago	cloudy	10	Gibraltar	cloudy	15	Manchester	cloudy	4	Rome	cloudy	15
Algiers	rain	14	Bermuda	rain	23	Cologne	fair	8	Glasgow	drzzl	5	Manila	fair	31	S. Frsco	sun	16
Amsterdam	sun	4	Bogota	shower	19	Dakar	fair	23	Hamburg	fair	2	Melbourne	sun	25	Seoul	fair	10
Athens	rain	15	Bombay	sun	33	Dallas	sun	23	Helsinki	sun	-1	Mexico City	sun	23	Singapore	cloudy	32
Atlanta	fair	24	Brussels	fair	6	Delhi	sun	35	Hong Kong	cloudy	18	Miami	sun	27	Stockholm	fair	1
B. Aires	fair	23	Budapest	rain	7	Dubai	fair	21	Honolulu	fair	28	Milan	fair	12	Strasbourg	fair	7
B ham	cloudy	4	C.hagen	snow	1	Dublin	rain	6	Istanbul	rain	13	Montreal	rain	8	Sydney	fair	24
Bangkok	shower	37	Cairo	fair	28	Dubrovnik	rain	14	Jakarta	shower	30	Moscow	fair	5	Tangier	shower	14
Barcelona	shower	14	Cape Town	fair	23	Edinburgh	snow	4	Jersey	fair	7	Munich	fair	4	Tel Aviv	fair	25
									Karachi	fair	31	Nairobi	fair	28	Tokyo	sun	14
									Kuwait	sun	26	Naples	rain	16	Toronto	rain	10
									L. Angeles	fair	17	Nassau	sun	27	Vancouver	fair	14
									Las Palmas	shower	20	New York	fair	13	Venice	cloudy	8
									Lima	cloudy	26	Nice	cloudy	14	Vienna	cloudy	4
									Lisbon	cloudy	13	Nicosia	fair	20	Warsaw	snow	0
									London	fair	6	Oslo	fair	-2	Washington	sun	16
									Lux.bourg	fair	5	Paris	cloudy	9	Wellington	fair	19
									Lyon	cloudy	12	Perth	fair	27	Winnipeg	fair	-3
									Madeira	cloudy	17	Prague	cloudy	1	Zurich	fair	7

FINANCIAL TIMES

COMPANIES & MARKETS

©THE FINANCIAL TIMES LIMITED 1996

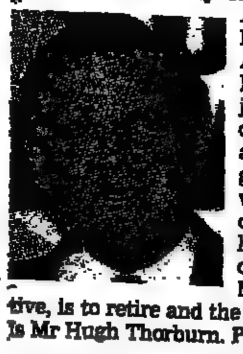
Thursday March 14 1996

IN BRIEF

Novo Nordisk rise defies moving rates

Pre-tax profits from Novo Nordisk, the Danish pharmaceuticals and enzymes producer, increased 12 per cent from DKr1.93bn to DKr2.15bn ($376m) last year, but sales and earnings were held back by exchange rate movements. Turnover was up by 1 per cent to DKr13.72bn. Page 17

Ansett shakes up top management



A big management shake-up has been announced at Ansett Airlines, the Australian carrier which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group. Mr Ken Cowley (left), who heads News Corp's operations in Australia, said he would remain executive chairman. Mr Graeme McMahon, the chief executive, is to retire and the new chief operating officer is Mr Hugh Thorburn. Page 21

Greece values OTE at $6.96bn

Greece has set a price of Dr4,000 ($16.50) a share for the privatisation of 6 per cent of OTE, the state telecoms monopoly, through a listing on the Athens stock exchange later this month. The price values the company at Dr1,687bn ($6.96bn). Page 17

Olivetti to challenge Telecom Italia

Olivetti, the Italian computer group, is to step up its challenge to the dominance of Telecom Italia, the state-controlled telecoms company, by launching a competing long-distance phone service in June. Page 18

Thomson earnings advance 9.8%

Thomson Corporation, the Toronto-based publishing and travel group, announced a 9.8 per cent advance in 1995 earnings. Overall earnings, excluding gains from the sale of UK regional newspapers, climbed to US$468m. Page 20

Coles Myer posts sharp fall

Shares in Coles Myer, Australia's largest retailer, slid after the group announced sharply-reduced interim profits of A$194.5m (US$150m) after tax for the six months to January 28. A year ago, Coles made A$272.9m. Page 21

TVE rejects $149m bid from SCMP

TVE, the Hong Kong media and property group, has rejected a HK$1.15bn (US$149m) bid from South China Morning Post Holdings, dismissing the logic and price of the offer. Page 21

Reed reveals $5bn acquisition potential

Reed Elsevier, the Anglo-Dutch publishing and information group, said it was keeping a close eye on a "wish list" of possible acquisition targets and has around $5bn available this year if the right opportunity came along. Page 22

Oil price hits two-month high

The oil price rose for the third day in succession, hitting its highest point in London in more than two months. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	780	+	24
Kaufhof	472	+	10
Rheinmetall Br	223	+	7.5
SAP AG	211.9	+	5.1
Falls			
Adidas	93.8	–	4.1
Hoechst	470	–	7
NEW YORK ($)			
Rises			
Boise Casc	67¾	+	2¾
Halliburton	55½	+	2¼
Schlumberger	77	+	2½
Travelers	63¾	+	2¼
Falls			
Novo-Nordisk	32⅝	–	1⅛
Schweitzer M	25¼	–	1
LONDON (Pence)			
Rises			
Cordiant	116	+	11
Eve Group	152	+	16
Shield Diag	150	+	29
UK Land	98	+	18
Falls			
BAT Inds	505	–	35
Eng China Clays	315	–	20
TORONTO (C$)			
Rises			
Arequipa Res	12⅜	+	1
Fairfax Fin	170	+	11
Greenstone Res	8½	+	¾
[illegible] Expls	15⅛	+	1⅞
Falls			
Guyanor Res B	11	–	1⅛
KWG Res	13⅛	–	2¼
PARIS (FFr)			
Rises			
BNP	187.1	+	4.2
Lafarge	348.3	+	12.1
Legris	238	+	5.1
Moulinex	88.8	+	5.1
Technip	428.5	+	12.6
Falls			
Seita	192.7	–	7.3
TOKYO (Yen)			
Rises			
Nippon Denko	508	+	31
Falls			
Hino Motors	657	–	33
Honshu Paper	612	–	28
NHK Spring	578	–	23
Nippon Signal	1030	–	50
Nisshin Oil	782	–	38
HONG KONG (HK$)			
Rises			
Gold Peak Inds	4	+	0.2
High Fashion	0.37	+	0.02
Kingmaker	1.25	+	0.07
Falls			
Dah Sing Fin	22	–	1.5
Peregrine Inv	11.5	–	1
Wharf Hldgs	26.85	–	1.35
BANGKOK (Baht)			
Rises			
Royal Ceramic	32.25	+	2.5
Thai Rubber	26	+	2.25
Thai Toray Tex	74	+	5.5
Falls			
Advanced Info	125	–	12
Interlife Ins	72	–	7.5
Loxley Publ	356	–	38

New York and Toronto prices at 12:30.

Krupp resumes payout after leap to DM505m

By Michael Lindemann in Bonn

Krupp, the German steel and engineering group, is to pay a DM5 dividend for 1995, its first since it became a joint stock company in 1992, after reporting a leap in annual net profits to DM505m ($340m) from DM40m.

The company said there had been strong demand for its core steel-based products but that it had also benefited from a restructuring programme begun three years ago after its merger with Hoesch, its one-time rival. A number of businesses have been sold and others acquired to focus Krupp on core activities – steel, plant, automotive engineering and trade – and to move production outside Germany where it is vulnerable to the strong D-Mark. Sales rose 15 per cent to DM23.5bn, up from DM20.4bn a year earlier.

Mr Gerhard Cromme, chief executive, warned that 1996 would be a "more difficult" year because of the unexpectedly sharp downturn in the German economy in the fourth quarter of last year. The company's share price responded, falling DM5 to close at DM202.

Mr Cromme said the group had taken advantage of the improved results to carry out "a number of measures" to strengthen the company's balance sheet. These would be specified when final results are published in mid-May.

The improved results had also enabled the company to pay off a charge of DM200m which had been carried forward from losses in 1993 and 1994, Mr Cromme said.

Krupp's net debt, which had risen to a high of DM5.8bn as result of the Hoesch merger and the recession, had been reduced by DM1bn to DM3.6bn, bringing down the group's gearing – the ratio of net debts to equity capital – to 1:1, down from 1:7 last year, Mr Cromme said. The company's equity ratio now stood at 19 per cent, up from 15 per cent last year.

Analysts described the improved results as "conservative" and said the company had kept net profits lower in order to avoid a discrepancy with the 1996 results, which could be worse than expected for a number of Krupp's heavily cyclical industries if the economy does not pick up in the second half as predicted.

A foretaste of possible slower growth emerged yesterday when the VDMA engineering association reported its new orders for January. Price adjusted orders, the best indication of future sales, fell 8 per cent in the three months to January, while sales rose 6 per cent during the same period.

Although Krupp is still majority owned by the Krupp foundation, the government of Iran and the WestLB public sector bank, it is trying to increase its profile among investors and will, for the first time, present its results to investment analysts in May.

Rebirth of a titan, Page 16

Unilever to streamline management structure

By Roderick Oram, Consumer Industries Editor

Unilever unveiled a new senior management structure yesterday designed to make the Anglo-Dutch consumer goods group more nimble in mature and developing markets.

It fell short, however, of the radical reorganisation that investors, particularly in the US, had expected. "It's evolutionary and positive but it isn't going to catapult Unilever to the top of the multinational consumers goods league," one London analyst said.

"This might improve the quality of strategic decision-making but it won't improve the speed," added another.

Unilever said it had rejected dissolving its dual nationality or breaking up. Huge tax liabilities argued against the first and loss of synergy against the second.

Sir Michael Perry and Mr Morris Tabaksblat, co-chairmen, said the new structure separated strategic leadership from business execution more clearly than in the past. For example, the top executives had been "product co-ordinators" responsible for global strategy, but also profits in North America and Europe.

"The board sometimes found it hard to take neutral decisions," Sir Michael said.

Under the new organisation, a seven-man executive committee of the board would target markets and businesses to develop and allocate resources to them.

Below this committee, 14 business groups, each headed by a president, would be responsible for operations and profits. Three examples were Food and Beverage Europe, Foods North America and Latin America.

The structure dealt only with the top of the group and, therefore, would not have prevented Unilever's damaging detergent problems in 1994-95, the co-chairmen told analysts.

A flaw in Persil and Omo Power, undetected lower in the management ranks, caused the detergents to react badly with some dark clothes dyes. Unilever suffered a loss of consumer credibility, market share and profits, particularly in the UK.

A leading architect of the new structure was Mr Niall FitzGerald, who co-ordinated the detergent businesses at the time. He will lead the implementation of the plan before he succeeds Sir Michael as chairman of the UK arm of Unilever on September 1.

Pressure for structural change, an issue gripping other large consumer products groups such as Nestlé of Switzerland and the US's Procter & Gamble, has mounted fast in the 1990s.

To keep profits growing, the companies need to respond rapidly to opportunities in emerging markets and new business areas. In mature markets and products, they need to win back consumers turning to own-label products, which have become high quality, competition for them.

Champions of brands, Unilever and its competitors believe they can push back the rising tide of own-label products if they can tempt consumers with new products at the right price. But rapid innovation requires entrepreneurial executives, investment, technology and a flexible management system to co-ordinate those resources across markets.

Ashley Ashwood

Seeking simplicity: Morris Tabaksblat (left) and Sir Michael Perry, co-chairmen of Unilever

The problem is most acute for Unilever because of its dual nationality. The operations of Unilever plc in the UK and Unilever NV in the Netherlands are co-ordinated by two co-chairmen and a complex committee system.

People in Unilever can point to dozens of cases where this complexity has worked against them. But the two most pertinent recent examples were Unilever's flawed Power detergents and its difficulty reaping benefits from cost cutting in the 1990s.

On costs, Unilever took nearly £800m ($1.2bn) of restructuring charges in two stages in the early 1990s. One aim was to move from national to continent-scale manufacturing in some products. But savings from the first tranche were spent largely on marketing; only latterly have savings been squeezed from the second.

The new structure is a "clarification of what people stand for," Mr Tabaksblat said.

However, analysts cautioned that Unilever also faced a big task to reorient hundreds of its subsidiaries to the new structure. It risked losing touch with consumer markets or track of cost-cutting activities in the process.

Lex, Page 14;

Provisions set to drag UAP into FFr2bn loss

By Andrew Jack in Paris

UAP, France's largest insurance group, yesterday warned that it would need to take new provisions of FFr4.5bn ($880bn) against property and other investments, which would drag it into losses of FFr2bn for 1995.

It also said it planned to restructure its Banque Worms subsidiary and the UAP holding company, and that it was likely to sell substantial parts of its portfolio of French shares, in transactions which could amount to several billion francs.

The announcement comes two weeks before publication of the group's results and follows a board meeting which approved the figures following the results of an audit commissioned to examine its assets last autumn.

The bulk of the new provisions – some FFr2.9bn – relate to Banque Worms, the banking arm UAP acquired in the mid 1980s and which became heavily involved in loans to property developers. The bank's FFr13bn property portfolio has already been transferred to the parent UAP group, and the additional write-downs will bring the rate of cover against doubtful loans to 66 per cent. In addition, it now has the objective of reducing the ratio of banking income to operating costs from 85 per cent to 65 per cent in the next two years. This is likely to lead to substantial job losses.

Mr Dominique Bazy, UAP's deputy managing director, stressed yesterday that there was no plan to sell Banque Worms, but rather one to integrate its operations more closely with those of its parent. He said the additional property write-downs were designed to reflect realistic values and ensure the assets would cover their own financing and management costs by 1998.

The other large provisions, of FFr1.3bn, are against UAP's investments in French equities and reflect its decision to liquidate some of its holdings to generate additional income. About 20 per cent of its investments are in the form of shares, and about 90 per cent of these are held on the Paris bourse. UAP is also making provisions of FFr300m to cover a restructuring of the holding company, with the aim of cutting its management costs by 25 per cent over the next 18 months.

Mr Bazy said UAP should return to profit in 1996, and as a measure of its confidence was maintaining its dividend of FFr4.50 a share.

Overhauled SBC lifts income 30% to SFr1bn

By Ian Rodger in Basle

Two big acquisitions and strong profits from private banking helped Swiss Bank Corporation, Switzerland's third largest financial services group, lift its 1995 net income 30 per cent to SFr1.05bn ($872m).

The advance was greater than those reported by rivals Union Bank of Switzerland and CS Holding. But SBC, which has overhauled its management and structures in the past two years, was coming from behind. Its 7.5 per cent return on equity in 1995 still only matched that of UBS and lagged the Credit Suisse-based group's 8.7 per cent.

Mr Georges Blum, chief executive, was confident of further improvement this year. "This will take us a significant step closer to attaining our medium-range return on equity target of 10 per cent post tax," he said.

SBC's two big 1995 acquisitions, the London-based SG Warburg investment bank, and the US Brinson fund management, made positive contributions to net income. Mr Peter Wuffli, finance director, estimated that without them, the group's net income would have been about SFr900m.

Net operating income jumped a third to SFr8.88bn, with 40 per cent of the growth attributed to acquisitions, which also included a Swiss regional bank.

Thanks to Warburg, Brinson and continuing growth in the high margin private banking side, net commission income surged 26 per cent to SFr3.29bn. Net interest income rose 6 per cent to SFr2.8bn while trading profits more than doubled to SFr2.27bn.

Mr Blum said commission business displaced lending as the most important profit source and proprietary transactions accounted for only a tenth of trading income.

Provisions and writedowns soared by two-thirds to SFr1.69bn, partly because of acquisitions but mainly due to the deterioration in Swiss assets. That left pre-tax profits up 22.3 per cent to SFr1.34bn, compared with a 7.8 per cent fall at UBS and a 24.2 per cent gain by CS.

The SBC Warburg investment banking division achieved a net income of SFr663m on revenues of SFr3.83bn while the SBC domestic side made net income of SFr815m on revenues of SFr4.72bn.

Mr Marcel Ospel, chief executive of SBC Warburg, said his division was looking for one or two small acquisitions to strengthen its corporate finance and research activities in the US.

He brushed aside two recent setbacks. The loss of the Halifax Building Society brokerage account was "not pleasant", but the bank hoped to continue to do some business with the UK's largest building society. The selection by Basle neighbours Ciba and Sandoz of US investment banks to advise them in their merger was also a disappointment. "At least if they did not take us. . . . they did not take any other European house," Mr Ospel said.

Warburg results, Page 18

BP rises sharply and lifts hopes of share buyback

By David Lascelles, Resources Editor

British Petroleum raised the possibility of a share buyback yesterday as it laid out its earnings targets up to 2000.

The news triggered a sharp rise in BP's share price. The shares closed at 545½p, up 14p on the day and 5p short of their all-time high.

In a briefing for analysts, Mr John Browne, chief executive of the international oil group, said BP aimed to increase earnings by 8 per cent a year between now and 2000. This would raise annual income by about $1.5bn a year to $4.5bn.

Mr Browne indicated that capital spending would increase by only about 4 per cent a year, leaving a growing fund of surplus resources. A portion of this would be used to reduce debt and make investments. But in good times the remainder would be returned to shareholders "by whatever means are most appropriate". This was taken by analysts to indicate a share buyback.

Any special payout would be in addition to regular growth in dividends, which would be based on a 50 per cent payout from underlying earnings. The details laid out by Mr Browne were intended to mark a new era in the company's growth following the setback four years ago which led to the ousting of its previous chairman, Mr Bob Horton.

The biggest change would be a switch from cost cutting to volume growth. After shedding several businesses and putting three refineries on the block, BP's scope for further cost cutting has been reduced. Future growth would have to come from managing resources better and exploiting new opportunities, Mr Browne said.

John Browne: new era for BP

Earnings growth, which had been running at $500m-$600m a year, would fall to a more modest but more strongly based $300m a year. The main sources of growth would be higher volumes and margins on oil and gas production, higher returns on downstream activities such as refining and marketing, and a stronger performance from chemicals.

The projections did not include the benefits of the agreement with Mobil to pool European downstream operations, which will bring BP $200m a year after tax.

Analysts described BP's projections as conservative and capable of being exceeded. Mr Paul Spedding at Kleinwort Benson, said that the target of $4.5bn by 2000 was "already in the bag", and any improvement in performance would carry the result higher.

Lex, Page 14

TURNROUND AT KRUPP HOESCH

How Cromme engineered the rebirth of a German titan

Michael Lindemann meets the man who organised the country's biggest hostile takeover and upset the Ruhr

Mr Gerhard Cromme rarely gives the impression of dithering. Choosing a career was something he did with typical single-mindedness. Despite hailing from an academic background – his father taught Latin and Greek and young Gerhard learnt both – he was never in much doubt about what he wanted to do.

"I wanted to make things happen, to have a hand in shaping things," he says, as he sits in the back of a company minibus racing along a north German motorway after a day probing management and workforce at Hoesch Rothe Erde, one of about 50 Krupp subsidiaries.

Since becoming chief executive of Krupp in March 1989, he has certainly made things happen. He has engineered one of Germany's first – and biggest – hostile takeovers by snapping up the Hoesch steel and engineering conglomerate in neighbouring Dortmund.

It was a coup which riled many in the Ruhr area, the heartland of German industry where consensus is still preferable to confrontation. In the process he also took on Deutsche Bank, which was advising Hoesch. He left the bank looking amateurish.

He has also had the opportunity to confront thousands of steelworkers, furious that Krupp wanted to shut down its Rheinhausen steelworks. The move was aimed at streamlining the merged group's steel operations. Many workers spent months outside Mr Cromme's house venting their anger.

But despite such pressure, the lanky chief executive persevered. He has given a new lease on life to a conglomerate which in the 1980s had an unfortunate habit of losing chief executives and came dangerously close to becoming an industrial relic.

The Hoesch takeover, Mr Cromme says, was instrumental. It was something his predecessors at Krupp – and those at Hoesch, too – had toyed with in the 1950s. The merger almost doubled sales to DM28bn ($18.9bn) and allowed the company to expand its core activities and give them a greater international reach.

He bought Acciai Speciali Terni, the Italian stainless steel producer, and persuaded Thyssen, Germany's biggest steelmaker, to bring its stainless operations into a joint venture led by Krupp Hoesch. The Essen-based group has become the world's largest stainless steel producer with sales of DM6.5bn and a 17 per cent share of the world market, just ahead of the French steelmaker Usinor Sacilor.

In the automotive division, too, a merged Krupp Hoesch was able to a offer broader range of products, manufacturing entire axles and steering systems rather than just shock absorbers and other individual components. The additional scale and more sophisticated products has opened up new markets, Mr Cromme says. The group is negotiating to supply products for the first time to Renault, the French carmaker.

Mr Cromme hopes to do the same with the plant-making division, a normally lacklustre business. He has spent about DM700m to buy Uhde, the plant-making unit of the Hoechst chemicals group. This business will complement Krupp Koppers and Krupp Polysius – two businesses which, Mr Cromme says, had few prospects on the international stage by themselves.

He has also disposed of smaller businesses which did not fit into Krupp Hoesch's portfolio.

Talks are currently under way to sell the mining and construction equipment division of Orenstein & Koppel, another well-known Krupp name.

Having got this far, however, what happens next?

Mr Cromme himself admits that Krupp Hoesch continues to produce what he calls "products of the second industrial revolution".

Other one-time steelmakers like Thyssen and Mannesmann have ventured into telecommunications with varying degrees of success. Some believe Krupp should find new activities with which to supplement its traditional steel and engineering businesses.

Mr Cromme, though, is not impressed. Telecoms businesses require considerable investment with uncertain returns for new would-be players. Besides, he points out, in the early 1990s when these investment decisions were being made, Krupp was fighting to keep its head above water. It had no money for new business like telecoms.

"We are industrialists, not visionaries," he likes to say, a veiled reference to Mr Edzard Reuter, the former chief executive of Daimler-Benz, whose aerospace and electronic engineering purchases in the early 1990s have led to a DM6bn loss this year, the largest in German corporate history.

Instead, Mr Cromme says, Krupp will go on expanding its core steel and engineering activities and expand abroad in countries like Mexico, Brazil and India, and above all in Asia. "We now have the money to take advantage of chances which become available worldwide. Those chances exist and the risks of building up activities . . . are considerably smaller than if we venture into new ones."

There are other changes, too, at Krupp. Because 85 per cent of its equity was held by a motley collection of shareholders made up of the Krupp foundation, the government of Iran and the Düsseldorf-based WestLB public sector bank, the company aroused little interest among investment analysts.

It is not clear that any one of those investors want out, least of all the Krupp foundation which holds 52 per cent, but Mr Cromme hopes he can spark more interest among analysts and investors. For the first time he will invite them to Essen in May to take them through the company's accounts on the same day it publishes its full annual results.

■ END OF AN OLD IMAGE

Shadow of Big Bertha now cast off

History, and it is something that Krupp executives are still touchy about, has earmarked Krupp as one of the world's biggest arms manufacturers.

In her award-winning book *August 1914*, Barbara Tuchman relates how in 1914 the company built, in utmost secrecy, a gigantic siege gun better known as the Big Bertha, in honour of Friedrich Alfred Krupp's eldest daughter.

With a 16.5 inch calibre, the gun was the largest the world had ever seen – "a monster which weighed ninety-eight tons, fired a shell a yard long weighing 1,800 pounds at a range of nine miles and required a crew of 200 attendants."

When the guns were pulled into Liège, the first obstacle on the German push towards Paris in 1914, eye witnesses recalled how "the pavement trembled" when they fired – "the earth shook like an earthquake and all the window panes in the vicinity were shattered."

Up to 50 per cent of business in the run-up to the first world war was arms. Later, during the second world war, Krupp was the leading builder of the battle cruisers, U-boats and tanks which equipped Hitler's armies. In 1945, the company employed 277,000 people, many of them forced labourers and about 50,000 of whom were still on the payroll even though they were soldiers on active duty.

Given its position at the heart of Hitler's arms making apparatus, the Allies attempted to pull the company to bits after the second world war, forcing the Krupp family to sell the steel and coal business at its heart.

The divestment orders were never properly fulfilled, in part because there were no buyers for these businesses, but they hung over the company until 1968.

Now, as part of the sweeping changes within the company, that too has now changed, to such an extent that Krupp no longer has anything to do with arms making.

The business of building turrets for Leopard 2 tanks, a job which used to be done by the Kiel-based Krupp MaK, was sold to Rheinmetall Industrietechnik in 1990 in an effort to focus MaK's activities solely on a range of new diesel engines.

The firing systems for tanks, part of Krupp Atlas Elektronik, were also sold off in 1991, in this case to Bremer Vulkan, the shipbuilding and engineering group which recently had to file for protection from its creditors.

Mr Gerhard Cromme, chief executive, cannot suppress a wry smile when he points out that the arms businesses were sold at a time when Daimler-Benz, Germany's biggest industrial group, was still busy consolidating its newly acquired aerospace and defence interests. Those businesses are now haemorrhaging money to such an extent that Daimler-Benz has forecast a loss of DM6bn for 1995 – the worst loss in German corporate history excepting fraud or bankruptcy.

ML

■ RESTRUCTURING PROGRAMME

Harnessing the merger's 'energies'

Mr Gerhard Cromme says the takeover of Hoesch, one of Krupp's oldest rivals, was an operation which was minutely planned. He occasionally admits that he was quite lucky that it all went as planned.

What most definitely surprised him were what he describes as the "energies" released by the takeover.

"Both companies had rigid, encrusted structures which came apart when people realised what new opportunities presented themselves following the merger," he says.

In part to harness those "energies", he drew up a programme to review all tiers of management and peer into every nook and cranny of the sprawling conglomerate to work out what could be done better in future.

The restructuring programme was drawn up by the Boston Consulting Group, but from the outset Mr Cromme wanted Krupp employees themselves to see the project through. "I didn't want any clever consultants to come and make smart comments and then disappear again," he said.

Now the 4K programme – which stands for clients, costs, creativity and communication – is being religiously applied at each of Krupp Hoesch's several dozen subsidiaries.

At Hoesch Rothe Erde, the world's leading maker of slewing rings and one of the group's best earners, it emerged, for instance, that the people taking in new orders and those processing them worked in completely different buildings.

That meant orders were not processed as quickly as they should have been, partly because of the endless to-ing and fro-ing between offices.

The relevant employees have since been moved next to each other and already orders are progressing more quickly. The aim is to halve the processing times compared with what they were when 4K was first introduced last May.

"You may not think that one small change will make any difference," Mr Cromme says, sitting across the table from the twelve 4K *Sprecher*, or spokesman, who have been appointed at HRE. "But I can assure you that cumulatively they will make a difference."

The 4K programme seems to be having some effect. The first time Mr Cromme stood up in front of about 100 employees hoping to have a lively discussion about the shortcomings of the 4K project, barely anyone opened their mouth.

On the most recent trip employees straight off the shop-floor were prepared to take on their chief executive – even though most of them were meeting him for only the second time.

"It became clear that at first the people in middle management were blocking the 4K programme because they were afraid it would reflect poorly on them," Mr Cromme said. "That has meanwhile changed. There is a certain layer of concrete that you have to get through to reach the workforce themselves."

ML

INTERNATIONAL COMPANIES AND FINANCE

Novo Nordisk up 12% despite currency effects

By Hilary Barnes in Copenhagen

Pre-tax profits at Novo Nordisk, the Danish pharmaceuticals and enzymes producer, increased 12 per cent from DKr1.93bn to DKr2.15bn ($376m) last year, but both sales and earnings were held back by negative exchange rate movements.

Turnover was up by only 1 per cent, or DKr200m, to DKr13.72bn. A substantial increase in sales by volume and product mix was offset by a 6 per cent appreciation of the krone against Novo Nordisk's invoicing currencies, a preliminary statement said.

Operating profits also increased by 1 per cent, by DKr28m to DKr2.07bn, but with unchanged exchange rates they would have risen 20 per cent.

Last year showed net financial income of DKr78m, against a net cost of DKr118m in 1994. There was an increase in earnings per share from DKr38.17 to DKr41.66. An unchanged dividend of DKr5 a share was proposed.

The result was in line with analysts' expectations but was greeted with a DKr2 increase in the share price to DKr767.

Novo Nordisk attributed last year's advance to its strategy of concentrating on core businesses.

It disposed of its less profitable activities, including the biological plant protection division, a bulk penicillin plant in Italy and a blood plasma unit, and is closing an enzymes factory in Japan.

Income of DKr587m from asset disposals and a reduction in investment in tangible assets were the main factors in an increase in free cash flow from DKr399m to DKr1.51bn.

The group forecast an increase in operating profits by 15-20 per cent in 1996 if exchange rates remain stable.

Costs are expected to grow more slowly than sales, but total costs will increase as a result of a further strengthening of the healthcare division's marketing organisation outside Denmark, and the introduction costs of a new epilepsy treatment and a product for haemophilia patients with an antibody reaction.

Sales of the group's insulin and diabetics care products rose by 4 per cent to DKr6.74bn, but the group said sales in the important US market advanced only marginally.

Deliveries to the US were back to normal after delays in bringing an insulin plant in North Carolina on stream in 1994, but progress last year was less than expected.

Sales of other healthcare products, including female hormone therapy products, antidepressants and human growth hormones, increased by 20 per cent to DKr3.29bn. Sales by the industrial enzymes division slipped 2 per cent to DKr3.38bn.

Volume sales were ahead by 8 per cent, but the krone appreciated by 8 per cent against the currencies in which enzymes are invoiced.

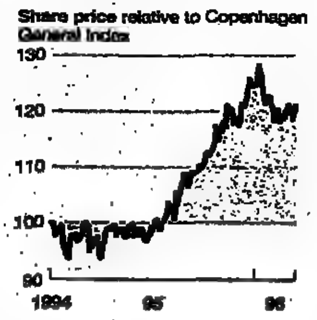
The group noted that taxes, which, at DKr599m last year, were 27.5 per cent of pre-tax profits, will rise to 28 per cent next year as a result of changes in the Danish tax regime.

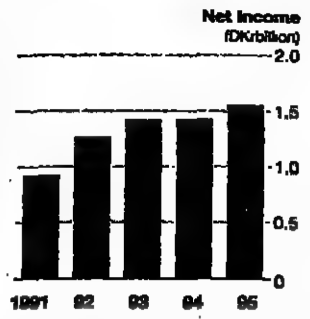
Since 1993 the tax take has risen from 23.9 per cent.

COMPANY PROFILE:
Novo Nordisk

Market capitalisation	DKr24.6bn
Main listing	Copenhagen
Historic P/E	20.04
Gross yield	0.65%
Earnings per share (1994)	DKr38.17
Current share price	DKr765

Mads Ovlisen
managing director





Murdoch learns to be a partner

The link with BSkyB means a lot to Bertelsmann, says **Judy Dempsey**

Mr Rupert Murdoch, chairman of News Corporation, will not control the new digital television alliance forged last week between BSkyB, his UK satellite company, Canal Plus, the French commercial television company, and Bertelsmann, Germany's largest media group.

Instead, according to Mr Michael Dornemann, head of Bertelsmann's BMG Entertainment and who helped mastermind the alliance, "it will be a partnership of equals, with Bertelsmann managing the German side of the operations".

The partnership intends to invest $1bn over the next five years and aims to win about 5m subscribers within seven years. "We will get it together bit by bit," said Mr Dornemann yesterday. But he warned that the development of digital television in Europe would be slower than people expected.

Mr Dornemann, who retreated last Sunday to the Swiss mountain resort of Zermatt after clinching the deal with Mr Murdoch, must have anticipated the question about whether Mr Murdoch would swallow up Bertelsmann. He laughed. "If possible, you like to take control in business. But if you have partnerships, there is no way only one [partner] will dominate."

The alliance with BSkyB means a lot to Bertelsmann, and especially to Mr Dornemann who has spent months flying between New York, where BMG is based, Los Angeles, Paris and Gütersloh, the German headquarters of Bertelsmann. He believes the deal will fundamentally shape its future strategy.

Bertelsmann's core businesses – books, book clubs, music, magazines and publishing - will continue to be developed. The books division last year had sales of DM6.8bn ($4.59bn) and BMG Entertainment, which includes television and music publishing, had sales of DM7.8bn. Group net profits rose 6 per cent, from DM759m to DM805m, on sales of DM20.6bn.

But the alliance with Canal Plus and Mr Murdoch will, in Mr Dornemann's view, test Bertelsmann's skills at running television and developing digital television. Its previous experiences with television have not been good. Vox, Bertelsmann's private – and free – channel, was saved from bankruptcy two years ago by Mr Murdoch who bought a stake and turned it around. "And he did not dominate that," said Mr Dornemann.

And with RTL, Germany's largest commercial television network, which enjoys a 16 per cent market share and which is also owned by the Luxembourg-based Compagnie Luxembourgeoise de Télédiffusion (CLT), Bertelsmann's skills have never been tested. CLT has always called the shots. But Bertelsmann expects to have greater influence over strategy now that, together with its allies, the WAZ newspaper group, it has 50.1 per cent of the shares.

But it is Premiere, Germany's only pay-TV, that will be crucial to Bertelsmann and Mr Murdoch making digital television a success in Germany.

Premiere has 1.1m viewers and, says Mr Dornemann, is growing at the rate of 3,000 new subscribers a day. It is owned by Bertelsmann, Canal Plus and the Kirch group and running up annual losses of at least DM40m. Mr Dornemann would like Mr Murdoch to hold a stake in Premiere, but for the moment any change in the shareholding structure is not feasible. It requires consent from Kirch, and that is not yet forthcoming.

"We can live with the status quo," said Mr Dornemann. He said the alliance in any case would be able to use Premiere, through which it would sell its thematic channels. And he was just as confident that even if Kirch launches its own competing decoding box system later this year, the product sold by the Canal Plus/Bertelsmann/Murdoch alliance would be superior.

"We know that Bertelsmann is not strong on the programming side. We don't have the vast library that Kirch has. But Murdoch has the content and the experiences. He has future products. He is a package man," said Mr Dornemann.

He believes it is brand new movies and pay-per-view sports which make up the added value. "Premiere has the pay-TV football rights. Murdoch has other sporting rights. He has huge pulling power to attract other companies and channels to come through our network."

In the end, Mr Dornemann believes it will be the combination of new films and sporting rights which will swing the German – and European – audiences to the alliance's digital television, giving it an edge on Kirch's empire. But in a note of caution characteristic of the Bertelsmann school, Mr Dornemann warned: "To underestimate Kirch would be a big mistake."

Greece sets price for flotation of telecoms stake

By Kerin Hope in Athens

Greece yesterday set a price of Dr4,000 a share for the privatisation of 6 per cent of OTE, the state telecoms monopoly, through a listing on the Athens stock exchange later this month. The price values the company at Dr1,687bn ($6.96bn).

The announcement came as OTE officials launched a hastily prepared "roadshow" for institutions in Paris, Edinburgh, London and New York. After the failure of two previous attempts to place OTE shares with overseas investors, the government refused to set aside a formal international tranche this time, but has accepted an offer by HSBC, Salomon Brothers and BZW to sell 4.5m shares in Europe and the US.

Bankers involved in the offering said the share price was higher than expected but appeared to reflect strong domestic demand for the issue. A total of 20m of OTE's 422m shares are being offered for subscription, with another 4m being stripped out for sale on special terms to OTE employees and pensioners.

One Athens-based analyst said: "The government has pushed the share price to its upper limits, making it harder to sell overseas. But we expect the offer to be comfortably covered through the domestic market."

The price, which includes a Dr125 dividend for 1995, was fixed by a special government committee. To encourage local investors, the finance ministry has said funds used to buy OTE shares will not be liable for tax.

The subscription period will run from March 26-29, with trading set to start on April 19. The government said that if the issue was oversubscribed, another 2 per cent of the company would be disposed of immediately.

The confirmation that extra equity would be available came as a relief to the international co-ordinators as National Bank of Greece, the state-owned bank acting as lead manager for the offering, is expected to give priority to domestic investors.

However, bankers yesterday voiced concern that the jittery mood on Wall Street could affect demand for OTE shares outside Greece.

Because the decision to offer shares to institutions abroad was taken at short notice, the company's prospectus is not yet available in English and OTE officials have been reluctant to give details of its business plan.

CS First Boston and Schroders, who acted as global co-ordinators for both OTE's failed offerings in 1993 and 1994, have pulled out of the flotation in a move that analysts said indicated doubts about prospects for the international offer.

Hoechst joins trend with strong increase

By Wolfgang Münchau in Frankfurt

Hoechst yesterday reported a strong rise in profits and a higher dividend, following the trend set on Tuesday by BASF and Bayer, its two German chemical rivals.

The Frankfurt-based company announced that pre-tax profits had almost doubled from DM2.21bn in 1994 to DM4.09bn ($2.76bn) last year, with sales up 5 per cent to DM52.2bn.

Net profits rose 65 per cent to DM2.25bn.

Like BASF and Bayer, Hoechst decided to raise the dividend, from DM10 a share to DM13.

Since some analysts had expected an even bigger rise, the market reacted cautiously to yesterday's announcement, with Hoechst shares closing at DM470, down DM7.

The strong performance of all three German chemical companies contrasts starkly with the economic gloom in most other sectors, which have been affected by the worsening German economy, rising wage costs and strong D-Mark.

In contrast, Hoechst yesterday cited a "favourable economic climate" as the reason for its good results, which were partly attributable to its strong presence outside Germany.

Hoechst's figures come a day after both BASF and Bayer announced pre-tax profits at approximately the same rate. BASF's dividend is to go up from DM10 to DM14, whereas Bayer's rises from DM13 to DM15.

The Hoechst report was issued after a meeting of its supervisory board, which opted to publish the results in a so-called "ad-hoc disclosure", a requirement under German stock exchange rules.

The company will give further details of its results at its annual news conference, taking place today.

In an effort to increase its attractiveness to smaller investors, Hoechst said it planned to reduce the nominal value of shares from DM50 to DM5, a practice that several German companies are adopting.

SBC Warburg posts SFr829m for year

By Nicholas Denton in London and Hugh Carnegy in Stockholm

Swiss Bank Corporation said yesterday pre-tax profits for 1995 of SFr829m ($691.2m) from investment banking showed it had overcome initial difficulties in integrating S. G. Warburg, the UK investment bank it acquired last year.

Mr Marcel Ospel, chief executive of SBC Warburg, the merged investment banking division, said the integration of S. G. Warburg's corporate finance department had been difficult and revenues "initially subdued."

But he said the equities and fixed-income businesses had made a "quantum jump" and the overall result corresponded to SBC's ambitious expectations for the merger.

SBC Warburg's pre-tax profits, which included nine months of contribution from the UK merchant bank, were a large improvement on the results for 1994, when the two institutions barely broke even.

A falling bond market and rising costs resulted in a £16.9m ($25.28m) loss for S. G. Warburg's investment banking business in the year to March 31 1995; SBC's investment banking division earned pre-tax profit of SFr59m in 1994.

But SBC and Warburg together have not regained the levels of 1993, in which the UK investment banking business made £205m before tax and SBC's own division made a large, but undisclosed, profit.

The results put SBC Warburg in the top rank of European investment banks but substantially behind the largest US investment banks such as Goldman Sachs.

Mr Ospel said the integration of Warburg had been swifter than anticipated. It was substantially completed at the end of December and SBC Warburg said it expected to gain US regulatory approval for the integration of Warburg's New York office within weeks.

The merger resulted in the loss of about 1,000 of the two units' combined staff of 11,000 through redundancies and defections, and cost savings which at SFr250m were, SBC said, "considerably beyond the original expectations".

Disruption in corporate finance resulted in the departure of several UK clients, including Halifax Building Society.

SBC Warburg also failed to play a role in the merger of Sandoz and Ciba, the pharmaceuticals companies based in SBC's home city of Basle.

But it was announced yesterday that SBC Warburg would advise on the disposal of businesses being spun off from the merged group.

It also emerged that SBC Warburg acted as advisers to Mr Gad Rausing and his family in their recent move to take full control of Tetra Laval, the privately-held Swedish processing and packaging group. In the deal, Mr Rausing and his three children bought out the half share in the group held by his brother Hans and Hans' family.

Marcel Ospel: overall result met ambitious expectations

Olivetti to compete with Telecom Italia

By Andrew Hill in Milan

Olivetti, the Italian computer group, is to step up its challenge to the dominance of Telecom Italia, the state-controlled telecoms company, by launching a competing long-distance phone service in June.

The announcement is the latest in a series of initiatives aimed at broadening the basis of Olivetti's business away from the ailing personal computer operations.

The new service, called Sinfonia, is part of Infostrada, Olivetti's telecoms joint venture with Bell Atlantic of the US, which France Télécom also plans to join.

Olivetti said that Sinfonia would offer Italian businesses an alternative, cheaper means of calling between the main Italian cities, by using Infostrada's communications "nodes" across the country and lines leased from Telecom Italia.

Sinfonia is headed by Mr Arturo Artom, the young manager who last year successfully challenged Telecom Italia's attempts to prevent his company, Telsystem, from constructing a similar "virtual" telephone network to link the offices of corporate clients.

In spite of its victory in the courts, Telsystem was unable to overcome this initial handicap and was wound up two weeks ago. But Mr Artom said yesterday that its regulatory success would lay the groundwork for Sinfonia to challenge Telecom Italia in the long-distance market in Italy.

Voice telephony using the public network is one of the only telecoms services still reserved for national monopolies, but Mr Artom will take advantage of EU regulations, now implemented in Italy, which he says permit competing services using privately owned communications nodes.

Olivetti is also the main shareholder in Omnitel Pronto Italia, the mobile phone operator, which is challenging the dominance of Telecom Italia Mobile, Telecom Italia's sister company. TIM confirmed yesterday that by this morning, Omnitel's 100,000 clients would be able to use its national network to cover gaps in Omnitel's coverage of the country.

The two companies have been fighting a fierce battle over whether Omnitel has the right to "roam" on the TIM network, under agreements signed last year by the two companies.

Despite recent broadly positive announcements by Olivetti – including, on Tuesday, the appointment as deputy chairman of Mr Giorgio Garuzzo, former chief operating officer of Fiat – Olivetti's share price has continued to suffer. It slipped again yesterday to a new low of L770.3, down L27. Investors are still deeply concerned about the Italian group's exposure to the personal computer sector.

SocGen slips a 'commendable' 1%

By Andrew Jack in Paris

Société Générale, the French banking group, yesterday announced net income for 1995 down 1 per cent at FFr3.8bn ($750m), while relaunching its attack on the state-backed rescue plan for its rival Crédit Lyonnais.

Mr Marc Viénot, chairman, called the FFr135bn rescue package brokered last year by the French state with Crédit Lyonnais "scandalous", and stressed his determination to continue a legal action in the European court of justice to challenge it.

Separately, Crédit Lyonnais confirmed yesterday that it had lodged a defensive action with the court in Luxembourg in response, which would give it full access to Société Générale's dossier.

Mr Jean Peyrelevade, Crédit Lyonnais' chairman, expressed his frustration that his rival had launched the action without notifying him.

Société Générale failed to achieve any significant modifications to the rescue plan before its approval last year by the European Commission in Brussels, when it filed a formal complaint jointly with Banque Nationale de Paris. They argued that the cost of the rescue to the French taxpayer could exceed FFr50bn, without any adequate counterparty from Crédit Lyonnais.

Société Générale reported growth of 1.1 per cent in its banking income to FFr39.4bn, while management and operating costs rose 3.8 per cent to FFr29.2bn.

There was a reduction in provisions of 5.3 per cent to FFr4.8bn, including FFr1.9bn against property loans, bringing its rate of cover to 56 per cent. It said the fall in the French property market had cost it FFr9bn since 1991.

Mr Viénot called the results "honourable and commendable" in view of the difficult environment facing the French banking sector, and given that there had been no sign from the government of any reforms to remove the unfair competition it faced.

Life assurance premiums rose 12 per cent to FFr16.2bn, and there was strong growth in remunerated deposits. American operations performed badly, with a decline in operating income of 56.4 per cent to FFr568m, only partially offset by a 5.3 per cent rise in Europe to FFr749m, and a 61.1 per cent rise in Asia-Pacific to FFr485m.

Mr Viénot defended his decision to sell the bank's stake in Navigation Mixte, the company subject to takeover by Paribas, at FFr800 a share, "without enthusiasm", saying it was better than holding an illiquid investment in a company in which it would have no say.

GPA completes $4.05bn bond sale

By John Murray Brown in Dublin

GPA, the Irish-based aircraft leasing company, yesterday completed the sale of $4.05bn worth of bonds as part of a important securitisation refinancing, in what bankers described as the second-largest non-government US bond issue ever conducted.

The deal, which is fully underwritten by a syndicate led by Morgan Stanley, the US bank, will allow GPA to repay in cash $2.9bn worth of bank and other secured debt, most of which matures in September 1997.

Morgan Stanley structured the agreement and handled about 85 per cent of the total sale to 150 investors, 60 per cent in the US.

GPA said the success of the offer would "significantly enhance" its ability to repay the remaining $1.5bn debt.

Of the outstanding debt, bankers said GPA paper was yesterday trading above par on the US market, fuelling speculation that the company might choose to buy some of the debt to retire it early.

The restructuring required the backing of more than 100 bank and other creditors.

Since 1993 GPA has engaged in a long-term refinancing, which included settling a number of contingent liabilities, such as litigation with McDonnell Douglas, the US aircraft manufacturer.

The sale of the bonds, backed by the securitisation of approximately 229 aircraft and related leases, concludes a spectacular return to health by GPA, which came close to collapse in 1991 after a failed public offering.

The initial bond prospectus was issued on February 20.

The company had originally envisaged that 50 per cent of the debt would be repaid in cash, the remainder through a complicated note offering.

However, it confirmed last night that it had completed the sale of $4.05bn worth of pass through certificates, issued by its special purpose vehicle, Airplanes Group.

The bonds were issued in eight different tranche sizes, carrying different coupons, maturities and floating and fixed rates.

In February, the issue was briefly held up by a dispute with one of GPA's creditors, the Public School Employees' Retirement System, Pennsylvania's main state pension fund.

As part of a deal, PSERS agreed to sell its $100m worth of second preference shares.

In turn, GPA paid a fee in relation to PSERS's $41m holding of secured notes.

EUROPEAN NEWS DIGEST

Grolsch predicts further advance

Grolsch, the Dutch brewer, predicted further profits gains in 1996, in spite of expectations that beer markets in north-western Europe will find it difficult to match the buoyant conditions created by the hot summers of 1994 and 1995. The forecast is based in part on the view that export volumes will continue to grow.

In 1995, Grolsch reported a 12.3 per cent increase in net profits to Fl 58.8m ($35.47m), on sales up 13.8 per cent at Fl 630.6m. The company's domestic sales were in line with the marginal growth seen in the overall Dutch beer market, but export volume shot up sharply. Grolsch declined to give a figure for export growth, but said it was higher than the 10.3 per cent export increase achieved by the Dutch beer sector as a whole.

Nevertheless, the strong export rise had only limited influence on overall results because of an increase in marketing costs and unfavourable exchange rate movements caused by the guilder's strength. Operating profits rose from Fl 80.2m to Fl 88.4m, a gain of 10.2 per cent. Net profit growth outstripped this rise because Grolsch also benefited from a sharp increase in net interest income from Fl 0.6m in 1994 to Fl 3m in 1995, thanks partly to the conversion of part of a subordinated convertible loan into shares.

Ronald van de Krol, Amsterdam

Wolters Kluwer rises 18%

Wolters Kluwer, the Dutch business, tax and legal publisher, posted an 18 per cent increase in 1995 net profits to Fl 452m ($272m), matching the rate of growth reported in the first half of the year. Turnover rose 8 per cent to Fl 2.94bn but would have shown an 11 per cent increase if exchange rates had remained constant.

The company, which made a string of smaller acquisitions costing Fl 285m in 1995, completed the biggest purchase in its history when it bought and consolidated CCH Inc of the US, a tax and legal publisher, with effect from January 1 1996.

The $1.9bn acquisition will boost Wolters Kluwer's 1996 sales to around Fl 4.2bn, an increase of more than 40 per cent from last year. The seasonal pattern of CCH's business will mean that the Dutch group's second half will become more important in terms of earnings than the first half. The purchase will also shift the company's focus away from Europe.

Ronald van de Krol

Jerónimo Martins ahead

Jerónimo Martins, Portugal's second largest distribution group, yesterday reported a 29.3 per cent increase in net consolidated profit to Es8.1bn ($52.9m) in 1995 from Es6.2bn in 1994. Growth was driven by 29.9 per cent increase in sales to Es281.7bn. Sales from the group's supermarket and hypermarket chains accounted for 46 per cent of total turnover. Cash-and-carry outlets contributed 21 per cent.

Mr Alexandre Soares dos Santos, chairman, said the group planned to establish Lillywhites, the UK sporting goods company that it bought last December for £28.5m ($43.9m), as an "international flagship" with outlets in Europe, Asia, Latin America and Africa. Lillywhites, whose sales rose slightly to just under £20m in 1995, would increase its outlets in the UK from three to about 15 by 1999, he said.

Peter Wise, Lisbon

Thyssen unit opens with loss

Thyssen unit Thyssen Telekom AG said it made a net loss of DM150.8m ($101.9m) on consolidated sales of DM23.83m in the period between December 13 1994, when the company was founded, and September 30 1995, the end of its business year. Mr Hans-Peter Kohlhammer, deputy chairman, said: "It is too early to talk about earnings of a company which is only starting up." He also said the company was periodically reviewing its decision to lease lines from other providers rather than invest in its own fixed-network infrastructure.

"We are aware that our decision not to build up our own fixed-network infrastructure has brought a lot of criticism from investors," Mr Kohlhammer said. "That is why we periodically have to review it to see if it's still the right decision." He still believed the decision was correct. "Look at all the capacity that would be available once the 'big bang' [telecoms deregulation] takes place in 1998," he said. "I am sure we will be able to lease lines at affordable rates." However, he said a change of view remained a possibility. "We have invested only DM1bn of the DM3bn-DM4bn we have been planning to invest before 2000," he said. "Maybe some of that will go towards infrastructure investment."

AFX News, Hanover

Spin-off for Bremer Vulkan yards

The east German shipyards of ailing shipbuilder Bremer Vulkan will be spun off in the next few days, Mr Bernd Seite, prime minister of Mecklenburg-Vorpommern, said yesterday. Mr Seite said he saw no possibility of maintaining the Bremer Vulkan group in its current form. He said the spin-offs did not mean co-operation between Vulkan's western and eastern yards would cease.

However, the premier of Lower Saxony, Mr Gerhard Schroeder, said the Vulkan group must stay as large as possible. "We must not allow valuable parts to be broken out of the group and leave the rest to fend for itself," he said. Vulkan filed for protection from creditors last month.

Reuter, Bremerhaven

Amer Group ends talks with investors

By Our Financial Staff

Amer Group, the Finland-based parent company of Wilson Sporting Goods of the US, said yesterday its K shareholders, who control 90 per cent of the votes, had ended talks aimed at selling their stakes.

"Amer Group's board of directors has been informed by the company's K shareholders that the negotiations that they have been conducting with third parties concerning the sale of their K shares have been discontinued," it said.

The group said its four biggest K shareholders, "will all continue to be major shareholders in Amer". These are The Engineering Society of Finland, The Association of Graduates of the Schools of Economics, The Student Union of the Helsinki School of Economics and Business Administration, and the Land and Water Technology Foundation.

Amer last year suffered a 60 per cent slide in profits, to FM75m ($16.32m) from FM220m, after its Wilson brand was hit by lower golf equipment sales and its Atomic skis met tough competition. At the time of the results, the K shareholders were in talks with anonymous bidders to sell the stock.

Mr Raimo Taivalkoski, chief executive, said yesterday the group would pursue plans to sell its loss-making MacGregor golf equipment unit.

He said Amer's strategy was unaffected by yesterday's news of the collapsed stake sale talks. "We think our present form is the one we are going to keep living with."

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Write-down pushes Bombardier into red

Bombardier, the Canadian transport equipment maker, wiped out its fourth-quarter earnings with a C$231.4m (US$169m) pre-tax write-down of its stake in Eurotunnel, operator of the Channel tunnel. Bombardier is among Eurotunnel's biggest single shareholders, with a stake of about 3 per cent. It acquired most of the shares to settle a dispute over changes in the design of Eurotunnel shuttle cars built by one of its European subsidiaries.

The write-down pushed Bombardier into a fourth-quarter loss of C$50.2m, or 15 cents a share, in the three months to January 31, from a profit of C$77.1m, or 21 cents, a year earlier. Earnings before the write-down, which amounted to C$155m after tax, were C$104.8m, or 29 cents. Revenues climbed from C$2.3bn to C$2.7bn. Earnings for the fiscal year, excluding the write-down, rose 28 per cent to C$308.8m, or 89 cents. Revenues were up 20 per cent to C$7.1bn. Bombardier said all its divisions, which include aerospace, rail equipment and motorised snow and water vehicles, contributed to the earnings improvement.

Bombardier now values its Eurotunnel shares at C$50m, or the prevailing market value of FFr6.2 each on January 31. Mr Laurent Beaudoin, chief executive, said the balance sheet remained "very strong" and that profits were likely to increase this year.

Bernard Simon, Toronto

Toys R Us suffers setback

Fourth-quarter and annual earnings fell at Toys R Us, even before a $269m restructuring charge, as the international toy retailer encountered difficult trading conditions in most of its markets. In the final quarter, including the Christmas period, net earnings fell 11 per cent to $362m, before the one-time charge, and earnings per share dropped from $1.46 to $1.32, or to 34 cents after the restructuring costs.

In spite of an extra week's trading in the 1995 fiscal year ending February 3, net earnings fell 22 per cent from $532m to $417m, even before the charge. Earnings per share for the year were down from $1.85 to $1.51 before the charge, and to 53 cents afterwards. Sales rose 8 per cent to $9.43bn, largely because of new store openings.

Maggie Urry, New York

CANTV stages turnround

CANTV, the Venezuelan telephone company, yesterday announced a net profit of 14.1bn bolivars ($31.8m) for 1995, compared with a loss of 7.5bn bolivars for 1994. The results were adjusted for inflation. CANTV was partially privatised in 1991 when a consortium led by GTE, the US local phone group, bought a 40 per cent stake in the company. It gave no explanation for the turnround in results.

Sales rose from 182.4bn bolivars to 348.4bn bolivars in 1995. The Venezuelan government has said it plans to sell off its remaining 49 per cent stake in CANTV before the end of the year. CANTV employees hold 11 per cent of the company's stock.

Reuter, Caracas

Travelers details listing plan

Travelers, the US financial services group, unveiled plans for a separate stock market listing for its property/casualty insurance businesses in a public offering that could raise almost $1bn. The plan, first disclosed last year, is part of the financing for Travelers' $4bn acquisition of Aetna's property/casualty business. In a filing with the Securities and Exchange Commission, Travelers said it expected to sell about 10 per cent of the company, known as Travelers/Aetna Property Casualty Group, leaving it with 82 per cent. The public sale will have a maximum indicated offering price of $25 a share.

Richard Waters, New York

Thomson climbs 9.8% but warns on UK travel side

By Bernard Simon in Toronto

Thomson Corporation, the Toronto-based publishing and travel group, coupled a 9.8 per cent advance in 1995 earnings with a warning that the UK packaged tour industry urgently needs to cut capacity if margins are to be maintained.

The improved earnings came entirely from Thomson's extensive specialist publishing and newspaper interests.

Operating profit at the UK travel operations dipped 27 per cent, despite a 7 per cent rise in sales and significant expansion in the UK holiday cottage market.

"1996 could mark a watershed for the air-inclusive tour market," Thomson said.

"The industry can either offer fewer holidays at realistic margins or, as in 1995, continue with increasing discounts on late sales, which give customers little reason to book early."

Tour bookings for summer 1996 are currently running below last year. Most operators have reduced capacity by at least 10 per cent, and brochure prices have risen by a similar amount.

However, Thomson cautioned that further capacity cuts may be needed to avert a wave of last-minute discounting.

Overall earnings, excluding gains from the sale of UK regional newspapers, climbed to US$469m, or 80 cents a share, last year, from $427m, or 74 cents, in 1994.

One-time gains from the UK disposals pushed net earnings to $789m, or $1.34 a share, in 1995. Revenues rose 12 per cent to $7.23bn.

Fourth-quarter earnings, excluding the one-time gains, advanced to $177m, or 30 cents, from $123m, or 22 cents.

Annual operating profits from the North American-based information and publishing division jumped 30 per cent to $633m, partly helped by several sizeable acquisitions.

Thomson said international expansion would play "a major part" in future growth.

The company spent $397m on 60 acquisitions last year, mainly in specialised publishing. It recently agreed to buy West Publishing, a large Minnesota-based legal research and information group, for $3.43bn cash.

The newspaper division, consisting mainly of small North American papers, is emerging from a restructuring which has shifted its focus to specific regional markets. Operating earnings grew 11 per cent to $216m.

A jump in newsprint costs was mostly offset by a higher contribution from Thomson's 50 per cent stake in a large Georgia newsprint mill.

Thomson said that the newspaper division's highest priority was to lift circulation, taking advantage of the newly-created regional marketing groups.

Thomson shares were little changed in early trading on the Toronto stock exchange, slipping 12 cents to C$19.75.

DFR vetoes Inco move for bigger Voisey's Bay stake

By Kenneth Gooding, Mining Correspondent

A proposed C$1.3bn (US$951.7m) deal for Inco of Canada, the world's biggest nickel marketing group, to double its 25 per cent stake in the Voisey's Bay deposit, which is likely to be developed into the world's largest and lowest-cost nickel mine, has been vetoed by Diamond Fields Resources, the company that discovered Voisey's.

Mr Robert Friedland, co-chairman of DFR, said yesterday that the proposed arrangement would not have taken into account the future potential of Voisey's, in Labrador, where he was convinced further substantial discoveries would be made.

DFR is planning to merge with Falconbridge, Canada's second-largest nickel producer. Mr Friedland, in London for presentations to investors, suggested that the "new" Falconbridge's share price would jump more sharply when new discoveries were made at Voisey's if it retained 75 per cent of the venture.

He suggested that Inco had only to April 11, when the merger would be completed, to decide whether it should intervene with a bid for his company. It was unlikely that Noranda, Canada's biggest natural resources group that would have 28 per cent of the new Falconbridge, would want to sell to Inco. It was even less likely that North American antitrust authorities would permit a merger of Inco and the new Falconbridge, said Mr Friedland.

Mr Frank Pickard, Falconbridge chairman, said his board felt obliged to consider the Inco proposals, which would also have given his company the right to market 50 per cent of Voisey's output whereas at present Inco has exclusive rights for the first five years. The deal would also have given Falconbridge the right to provide the chairman, with a casting vote, on the Voisey's operating board. But Inco's proposals had never gone to his board for approval.

He said Noranda, which at present owns 50 per cent of Falconbridge, intended to build its shareholding in the merged company to a level – more than 40 per cent – where results could be consolidated. Noranda had five years to achieve this.

Mr Pickard said if the merger went ahead, Voisey's would be put on the "fast track" so that first production would be in mid-1999. The smelter and refinery might not be ready when mining started but Falconbridge had spare capacity at Sudbury, Ontario, and "companies are lining up to take the concentrate".

US chip makers seek to dispel the gloom

Excess production capacity has sparked fears of an industry downturn, says Louise Kehoe

US semiconductor orders fell in February for the second consecutive month, raising concerns that after several years of unprecedented growth, the chip industry may be heading for a slump. The figures, released this week by the US Semiconductor Industry Association, follow bearish projections and disappointing results from some US chip makers.

Texas Instruments, one of the largest US semiconductor manufacturers, said last week it had lowered its estimate for 1996 industry sales growth to about 20 per cent, from 40 per cent growth last year.

National Semiconductor reported a 60 per cent drop in net income for the fiscal third quarter ended February 23, blaming slowing sales to the personal computer and mobile phone industries.

Moreover, the industry's closely-watched book-to-bill ratio – a measure of new orders versus shipments – fell to 0.90 for February, the lowest since the current method of measurement was adopted in 1987. This follows a sharp drop from 1.12 in December to a revised 0.92 in January.

So is the $100bn world chip industry is about to repeat the "boom and bust" cycles of the 1970s and 1980s, when periods of rapid growth and chip shortages were followed by prolonged downturns with an excess of production capacity?

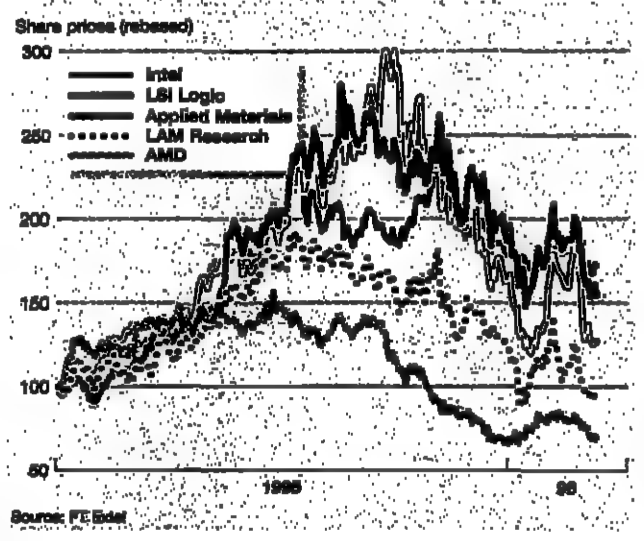
With more than 100 new chip plants scheduled to begin production in 1997-98, the potential for excess is a concern. "I have been worried that in 1997 when these plants turn on, we could have an enormous glut and be thrown into a price war," said Mr Dan Hutcheson, president of VLSI Research, a market research group.

Yet most US semiconductor industry executives and many analysts believe that the current decline is not a classic turn in the market. They expect growth to resume quickly – perhaps as soon as the second half of this year.

The broad figures mask specific problems in certain segments of the chip market, analysts say. Memory chips, which account for more than a third of industry revenues, have seen a sharp drop in prices: four megabit dynamic random access memory (D-Ram) chips that sold for $14 in November are now going for about $7. According to analysts, such a fall explains the drop in the book-to-bill ratio.

The price cuts reflect the end of a two-year shortage of D-Rams that has kept prices high. Production has increased because several large manufacturers have recently adopted new technology to shrink D-Ram chips, which means that more chips can be produced from each wafer of silicon.

How they compare



Source: FT Extel

At the same time, demand from the personal computer industry, the biggest consumer of memory chips, has fallen off – largely due to lower than expected retail sales of PCs over Christmas. The PC companies, left with excess stocks of unused chips, are delaying purchases and in some cases selling off surplus components, adding to the glut.

To veteran industry watchers, this looks like a scenario for a semiconductor industry downturn. However, the scale of the current glut is much smaller than in 1984-85, when the US semiconductor industry last nosedived.

"In 1984 computer makers had six months worth of [chip] inventory in hand. Today, there is about three weeks of excess," said Mr Hutcheson.

"This industry is not in the tank," said Mr Art Zafiropoulo, chairman and chief executive of Ultratech Stepper, the leading supplier of photolithography equipment to the semiconductor industry. "We may see one or two quarters of fluctuation, but the size of this industry is going to more than double over the next five years. We are at the beginning of a dynamic and powerful technology cycle."

Growth will be driven by new applications such as voice recognition as well as rapid growth in demand for electronics products in developing markets such as China and India, industry analysts predict.

Moreover, the drop in memory chip prices is expected to filter through to PC prices, which could quickly boost home computer sales and thus demand for a wide variety of semiconductor products.

"It is a different business than it was a decade ago. Semiconductors are so pervasive now – they are in everything. You are not going to see the huge swings of the past," said Mr Tom Reed, senior vice-president of the SEMI trade group, which represents production equipment manufacturers.

● Taiwan Semiconductor Manufacturing (TSMC), Taiwan's leading computer chip maker, plans to set up a US$1.2bn plant in Washington state to produce semiconductors, writes Laura Tyson in Taipei. The joint venture with Altera Corp, a US computer company, and other TSMC customers, will begin production in 1998.

INTERNATIONAL COMPANIES AND FINANCE

TVE rejects HK$1.15bn SCMP bid

By John Ridding in Hong Kong

TVE, the Hong Kong media and property group, yesterday rejected a HK$1.15bn (US$149m) bid from South China Morning Post Holdings, dismissing the logic and price of the offer.

SCMP, which publishes Hong Kong's leading English-language daily newspaper, said it had no immediate plans to raise the price of the offer and was awaiting a shareholders' meeting, scheduled for tomorrow, before taking further action.

Mr Robert Kuok, chairman of SCMP, already controls 34.9 per cent of TVE, largely through his Kerry Media group. But Shaw Brothers, which holds 30.3 per cent of TVE, said yesterday it did not intend to accept the offer. According to TVE, investors representing 39.5 per cent of its shares are opposed to the bid.

TVE said yesterday that SCMP's offer, which was launched last month and comprises a two-for-one share swap, was "not fair and reasonable". The company, which publishes mainly Chinese-language books and magazines, operates a mini-store chain and manages recreational clubs, said the value of the bid represented a 20 per cent discount to its pro-forma net asset value based on Monday's closing price.

TVE also expressed concern that SCMP's share price, which climbed to a high of HK$5.55 on February 9, the last full trading day before the offer was launched, would not be sustainable.

SCMP is seeking to extend its interests into Chinese-language publications. TVE holds titles ranging from TV Week, a listings guide, to Amoeba, a youth magazine. Mr Kuok is also thought to have been drawn by TVE's property assets. According to TVE, these assets have been independently valued at HK$776.5m.

TVE rejected the logic of the bid. "The directors consider that there are few real synergies between these businesses," it said. It claimed that SCMP's only substantial experience with Chinese-language publishing was with the Wah Kiu Yat Po newspaper, in which it sold a majority interest in 1994 following losses.

TVE added that the offer could jeopardise its business links with Television Broadcasts, the Hong Kong TV group.

Industry analysts in Hong Kong said it was still possible SCMP's bid would succeed, despite the rejection by Shaw Brothers. "They already have about 35 per cent locked up with Mr Kuok, so it is conceivable that they could get control," said one media analyst at a local securities company. However, he said it was more likely that SCMP would have to raise its offer.

Thai 'bat' finds way in the market

The country's third biggest bank has in-built advantages despite its bureaucratic profile, report **Ted Bardacke** and **Peter Montagnon**

Sometimes, says Mr Sirin Nimmanahaeminda, president of Thailand's Krung Thai Bank, "I feel like a bat. I can fly, but I look like a rat."

The imagery is vivid indeed, and it is Mr Sirin's way of explaining Krung Thai's peculiar position. Thailand's third largest bank, it is 60 per cent owned by the state, giving it an ugly bureaucratic tradition which is a disadvantage in a sector that is deregulating fast. Yet it recently announced a 25 per cent net increase in net profits to Bt10.2bn ($404.3m) for 1995, a faster rate of growth than leading private competitors such as Bangkok Bank and Thai Farmers Bank, proving that this rat can indeed keep up with the birds.

This unusual position puts Krung Thai at the cutting edge in developing a strategic response to the changes facing Thailand's banking industry. With new licences being issued to both domestic and foreign banks, the rapid growth of finance companies and a trend towards securitisation, the banking market is becoming crowded and competitive.

At the same time, many analysts say, Krung Thai faces a gradual erosion of its privileges as banker to the government as Thailand's market is deregulated. Government deposits account for more than half of the bank's total Bt500bn in deposits, and Mr Sirin acknowledges that the bank is not ready for the interest margin squeeze that would result from a wholesale loss of its exclusive right to government deposits.

Open competition for government deposits between Krung Thai and other commercial banks "would be pure disaster," Mr Sirin says. "It will have to be very gradual. Otherwise I'm going to put the entire bank on the chairman's lap and say 'bye-bye. Who is going to raise this Bt280bn for you'?"

But while he is around, Mr Sirin's job is to confound the sceptics.

One of the unanswered questions about Krung Thai, says Mr Scott Christensen, an analyst with Jardine Fleming Thanakom Securities, is the degree to which its high interest margins and profit growth simply reflect the recovery of previously unpaid interest brought about by Mr Sirin, a former executive with Thailand's state-owned Petroleum Authority, as he set about cleaning up the bank's loan book over the past five years.

Mr Sirin says there are more benefits of recovery to come than many in the market think. There remains about Bt3.2bn in income that has not been accrued from bad debts, he says. Moreover the bank's large hidden reserves – its investments are carried in the books at Bt4.3bn while their market value is Bt26.8bn – create an opportunity for smoothing profits and raising working capital even if interest income slows.

A large part of his strategy since taking over responsibility for the bank has been to improve the quality of its loan portfolio, he says. Thanks in part to an active programme of lending to top-rated family businesses in the Thai provinces, it is less exposed to Bangkok property than other banks. The share of sub-standard loans in its Baht 510bn loan portfolio has fallen to only 3 per cent from 9 per cent when he took over.

This year Krung Thai's priority will continue to be recovery. Branch managers have been told that in their personal performance assessments a 40 per cent weighting will be given to bad debt recoveries, twice as much as to their success in extending new loans or generating new deposits.

Part of the reason is cyclical, Mr Sirin says. He believes that Thailand has not yet found the right way to an economic soft landing with a manageable inflation rate and balance of payments deficit. It is, therefore, becoming harder to find sound new lending opportunities.

But assuming his managers are successful in recovering bad debts profits growth should remain strong. If restraint in lending means the quality of its loan portfolio improves as well, investors might conclude that Krung Thai stands ready to outperform. But if Mr Sirin's cure will work for a while yet, he is less sanguine about the longer term strategic issue.

Many of Krung Thai's competitors are putting their faith in fee income to carry them through. But Krung Thai's fee income is low – partly because it must waive some fees for government employees – and it did not even apply for a debt underwriting licence, placing it at a disadvantage in the future, says Baring Securities.

Mr Sirin says he will leave the investment banking up to Krung Thai Thanakit, a finance company 82 per cent owned by the bank and which is heavily involved in the securities market. Instead, the bank will focus on quality.

"We will have to be really top class in training our people, and top class in information technology. That will be the battleground," he says.

Ironically, Krung Thai's government connections might even help, he argues. Privileged access to government deposits will not disappear overnight and in the meantime he is looking to design computer software systems that in effect lock government agencies in with Krung Thai's network. Krung Thai's role in processing government paychecks and social security payments gives it information about the retail banking market and credit ratings of individuals that other retail banks and consumer credit organisations, like Citibank and GE Capital, do not enjoy. "These are things that I don't want to let loose," he says.

Admittedly, it is not all one way. The large government stake makes raising extra capital difficult. Based on present forecasts, Krung Thai should manage to keep above international capital requirements until 1998, though this will entail restraining dividend growth to make for more retained profits, Mr Sirin says.

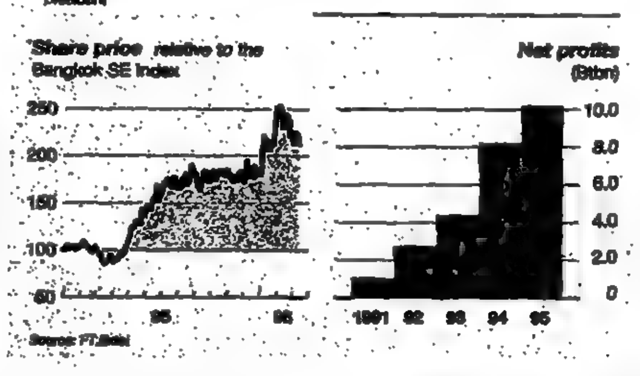
Also, with majority government ownership Krung Thai cannot easily buy another bank. Otherwise, admits Mr Sirin, that would be a natural response to the onset of competition. With its 485 branches, determination to cut costs and investment of about Bt1.3bn annually in information technology, there could be enormous efficiency gains from an acquisition.

Still, Mr Sirin believes the bank's government connections, rather than any far-sighted commercial strategy, may just give it an edge in the looming battle. Sceptics will jump on this long-term question mark and note that bats, with which he compares himself, are blind. On the other hand they have other ways of homing in on their goal.

COMPANY PROFILE:
Krung Thai Bank

Sirin Nimmanahaeminda
President

Market capitalisation	$6.47bn
Main listing	Bangkok
Historic P/E	19.32
Gross yield	2.56%
Earnings per share	Bt5.84
Current share price	Bt110.0



Source: FT Extel

Coles Myer posts sharp fall

By Nikki Tait in Sydney

Shares in Coles Myer, Australia's largest retailer, slid yesterday after the group announced sharply-reduced interim profits of A$194.5m (US$150m) after tax for the six months to January 28. A year ago, Coles made A$272.9m.

Even before interest and tax, profits slumped 21.3 per cent to A$359.4m, although sales revenues overall rose 8.5 per cent to A$9.44bn. Earnings per share fell 19.2 per cent to 17.2 cents, but the interim dividend was held at 12 cents a share.

The result surprised analysts who, although expecting a profit fall, had forecast upwards of A$220m after tax. There was immediate talk of full-year estimates being downgraded, and the shares closed 10 cents lower at A$4.28.

Mr Peter Bartels, chief executive, blamed the poor results on a downturn in the apparel market, coupled with "lacklustre" Christmas trading for general merchandise. He also said asset sales had reduced the pre-interest earnings figure by around A$51m.

The most encouraging performances were in the supermarkets and liquor divisions, which account for about half of Coles' sales. The supermarkets unit pushed up pre-interest earnings by 16.7 per cent to A$128.7m, while sales rose 11.1 per cent on a comparable store basis. Liquorland saw sales increase by a fifth and pre-interest profits rise from A$13.8m to A$15.3m.

Elsewhere, results were generally lower. The Kmart general merchandise chain saw earnings slump from A$93.2m to A$50.6m before interest charges.

Mr Bartels admitted that the group might consider exiting from the World 4 Kids business, where last-year's interim loss of A$14.7m widened to A$20.1m. The unit was launched to compete with Toys R Us, the US-based retailer.

He said sales since the end of the half-year had been strong, and that the group had added market share. There was, he said, "a sound base for improved profitability over the next 12 months". But he also warned that Coles would not recover the first-half downturn in the current six months.

Telstra ahead 16% to A$1.2bn

By Nikki Tait

Telstra, Australia's large government-owned telecommunications group which the new federal coalition government has promised to partly-privatise, yesterday announced an after-tax profit of A$1.2bn (US$930m) for the half-year to December.

The figure compares with A$1.03bn a year ago, a rise of 16.6 per cent. However, the 1994-95 total was reduced by a A$220m abnormal charge. Operating profits before abnormals rose more modestly, from A$1.75bn to A$1.85bn. Telstra said that total revenues were up 9 per cent, at A$7.64bn, with the telecoms side growing slightly faster, at 9.7 per cent. Expansion of the mobile market accounted for more than half the total revenue increase.

The sales figure also benefited from higher local call revenues and increased use of the Telstra network by other carriers, which pushed up interconnect revenues. But STD call revenues fell as prices came down and international revenues were also lower.

Meanwhile, expenses (before abnormals) grew slightly faster, up 10 per cent overall to A$5.78bn. Telstra blamed various factors, including higher depreciation charges and rising labour costs.

Mr Frank Blount, chief executive, said the group still had "a considerable task ahead to improve profitability measures in line with the most efficient telecommunications companies in the world".

The new government has pledged to sell off a third of Telstra to stock market investors during the current three-year parliamentary term.

Management shake-up at Ansett

By Nikki Tait

A big management shake-up is to be implemented at Ansett Airlines, the Australian carrier which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group.

Mr Graeme McMahon, the chief executive, who is in his mid-50s, is to retire, while Mr Ron Entsch, general operations manager, and Mr Gary Smith, general commercial manager, are also departing.

Mr Ken Cowley, who heads News's operations in Australia, said he would remain executive chairman, overseeing "strategic development of the airline". The new chief operating officer is Mr Hugh Thorburn, who has been involved in the setting up of Ansett's international operations in the past couple of years. Mr Rick Ellis will become general manager of sales and marketing. Another eight senior appointments were also announced.

The timing of the changes is surprising. Ansett has produced very weak financial results recently, and its ownership structure is also in question. TNT is seeking to sell its half-share to Air New Zealand, and the matter is before the Commerce Commission in Wellington, the country's competition watchdog. If Air New Zealand is successful, it would also probably seek some say in Ansett's management.

Reed Elsevier has $5bn for acquisitions

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch publishing and information group, said yesterday it was keeping a close eye on a "wish list" of possible acquisition targets and that it had about $5bn available this year to spend on the right opportunity.

The likely target areas are US professional and business-to-business publishing operations.

Last year the group was absorbing the £1.1bn purchase in December 1994 of the Lexis-Nexis database and spent only £41m on acquisitions.

Mr Ian Irvine, co-chairman of Reed Elsevier with Mr Herman Bruggink, said the company would stick to its policy of assembling dominant market positions in the higher-value-added scientific, professional and business information markets and reducing exposure to consumer markets.

The signal that Reed Elsevier will return to the acquisition trail came as the company announced a 19 per cent increase in 1995 pre-tax profits to £723m, on turnover up 20 per cent to £3.65bn.

The results were boosted by "an outstanding contribution" from Lexis-Nexis in its first full year. Following the integration of Congressional Information Service and Butterworths US, the legal publisher, into Lexis-Nexis, the business increased operating profit by almost 50 per cent on sales up 10 per cent.

"Reed Elsevier has become almost boring, reliable in turning out profits and beating forecasts by a small margin," Mr Neil Blackley, media analyst at stockbroker Goldman Sachs, said yesterday. Pre-tax profits for the current year could touch £800m, he said.

Earnings per share rose 21 per cent to 51.7p for Reed International shareholders and 11 per cent to Dfl 1.00 for Elsevier shareholders. Full year dividends were up 14 per cent to 24.5p for Reed and 8 per cent to Dfl 0.59 for Elsevier. The differences are largely accounted for by the stronger Dutch guilder.

One thing that did not go according to plan was the proposed sale of Reed Consumer Books. The division was withdrawn from sale earlier this year when no bidder came forward with a price acceptable to the company. The group now plans to strengthen the management of Reed Books and to try to increase profits and sell the company in the next couple of years.

Lex, Page 14

Setback in second half after buoyant first six months

Destocking hits English China Clays

By Motoko Rich

English China Clays, the minerals and chemicals group, has joined the growing list of companies hit by destocking in the second half, when it reported pre-tax profits up 2.3 per cent to £95.1m ($145.5m).

The group, which raised its interim dividend for the first time since 1992 after enjoying a buoyant first half, also increased the final dividend to 11.2p (10.9p), making a total for the year of 16.7p (16.25p).

Operating profits in the group's continuing operations rose 16 per cent to £100.7m. This excluded sharply decreased profits from ECC Construction, the group's house building business, from which it is withdrawing.

Sales fell 15 per cent to £885.9m (£1.04bn), largely reflecting the lack of contributions from the group's construction materials division, demerged as Camas in 1994, and reduced revenues from ECC Construction.

Mr Dennis Rediker, announcing his first results as chief executive, said once the construction business was closed, the company would be in shape to move forward. "I think we are focused on speciality chemicals and minerals, so I do not foresee any more major disposals," said Mr Rediker.

Jeff James

Dennis Rediker: 'We are focused on chemicals and minerals, so I do not foresee any big disposals'

ECCI Europe, the group's speciality mineral pigments business, was hit by destocking in the second half. A 6 per cent rise in first-half volumes was offset by an equivalent decline in the second half.

Similarly, ECCI AmPac, the group's operations in the Americas and the Pacific, suffered from second-half customer destocking. Operating profits rose 5.2 per cent to $55m (£34.8m) – compared with 33 per cent rise in the first half.

Profits in the division were also restrained by a $5.2m exceptional charge for redundancies and rationalisation.

Operating profits in the speciality chemicals division rose from $13.7m to $16.3m, although the 1994 results included a $7.3m exceptional charge. The 12 per cent sales increase to $270.4m was almost entirely attributable to the 1994 year-end acquisition of EZE Products, a US-based chemicals business.

LEX COMMENT

Schroders

Schroders is launching its efficiency review not a moment too soon. Costs shot up 21 per cent last year. Given that operating income grew only 14 per cent, it is hardly surprising profits were flat. There would, indeed, have been a decline in profits but for the release of bad debt provisions made in previous years. Moreover, profitability is not as great as the reported 25 per cent return on equity suggests. Once the highly profitable fund management business is stripped out, returns in the investment banking division are only 14 per cent. That is still above its cost of capital, but not by much.

If all this sounds a touch like Warburg before spiralling costs forced it into SBC's arms, at least Schroders is aware of the dangers. The market for investment bankers is so competitive that it cannot avoid upward drift in staff costs. Equally, its move into UK equities looks necessary to protect its domestic corporate finance business. But the expansion looks fairly controlled.

Provided Schroders' efficiency review slows down the cost explosion, profits should now pick up. The surest prospects are in investment management where, because of lags, last year's impressive 28 per cent growth in funds has yet to feed through fully in the form of higher fees.

Given that the Schroder family shows no inclination to sell its controlling stake in the company, bid speculation has evaporated and the shares no longer look expensive. Still, anybody thinking of investing should pick the much cheaper non-voting shares, which trade on only about 12 times earnings.

Regent Pacific stake up for sale

By Antonia Sharpe and Norma Cohen

Shareholders in Regent Pacific, the Hong Kong-based fund management company with a record of hostile bids for the control of investment funds, have put a substantial stake up for sale.

UK-based Phoenix Securities has been hired to find a buyer for the stake, believed to be the 60 per cent held by Canada-based Altamire Investment Fund.

A prospectus is expected to be available later this week, industry sources said.

Another large stake is held by Mr Jim Mellon, chairman of Regent Pacific Group. He has built it up to become a firm specialising in the deconstruction of investment funds trading at big discounts to net asset value.

● Regent Kingpin, a subsidiary of Regent Pacific, yesterday announced it had reached agreement with its target: the GT Chile Growth Fund.

Heywood Williams rises despite pressure on margins

By David Blackwell

Profits from disposals helped Heywood Williams Group, which manufactures aluminium, glass and plastic products for the construction and automotive industries, to report an annual 17 per cent pre-tax increase on record sales.

Pre-tax profits for 1995 rose from £33.1m to £38.7m ($59m) on sales of £562.5m (£519.6m). But margins came under pressure from raw material price rises, cutting operating profits, before exceptional items, from £33.1m to £28.6m.

Mr Michael Broadhead, managing director, said he was "reasonably satisfied" with the results. He expected an improved performance this year, with the group's main market of manufactured housing in the US poised to enjoy further growth.

The group makes more than half its sales in the US, mainly in manufactured housing and recreational vehicles. US operating profits fell from £21.1m to £17.6m after both aluminium and resin prices rose by about 50 per cent in the first half. Aluminium is used for window frames, and resin for pipe extrusions.

UK operating profits fell from £9.7m to £8.2m. A good performance from the automotive windscreen business was offset by the continuing weak home improvement market. Maccess, the independent UK wholesaler of motor accessories and car care products acquired last September, performed in line with expectations.

Continental European operating profits improved from £2.3m to £2.8m. The French subsidiaries moved back into the black, but Mr Broadhead said he was concerned by the market in Germany, where the building industry appeared to be in decline.

Schroders initiates review of efficiency

By Nicholas Denton

Schroders announced a business efficiency review yesterday, after its annual results revealed flat profits and a sharp escalation in the costs of computers and staff.

The UK investment bank said it would limit the increase in its staff numbers to about 200 this year, compared with 400 added in 1995 in ongoing businesses.

Consultants, which Schroders did not name, will examine the bank's information technology spending, which rose more rapidly last year than in the industry as a whole.

Schroders, is seeking to head off the costs which undermined SG Warburg's independence and forced it to seek a buyer in Swiss Bank Corporation last year.

While pre-tax profits for 1995 were slightly up at £197m, ($301.41) expenses rose 45 per cent to £603.5m. The cost-income ratio of 76 per cent, up from 68 per cent, was undesirably high, Schroders executives conceded.

"Perhaps we have not devoted as much attention to costs as we might have," said Mr Win Bischoff, chairman.

Staff costs rose, with the expansion of the European equities business and investment management in east Asia. The bank also experienced the impact of the first full year of ownership of Schroders Wertheim, the US subsidiary.

Although the effect was small, Schroders said it was paying a larger amount of deferred bonuses to retain its top 30 people in a competitive City jobs market.

At the same time, the closure of much of the fixed-income business in New York and the equities trading operation in Tokyo resulted in redundancy payments.

But the main additional cost appears to have been on systems for back office operation and the processing of transactions by Schroders Investment Management.

Eurotunnel 'standstill' on deadline

By Geoff Dyer

The stakes in the refinancing negotiations between Eurotunnel and its banks will be raised today when an important six month deadline is breached.

The group's 225 banks can now end the so-called standstill period if 65 per cent, by value of their loans, vote to do so.

The standstill period began in September after Eurotunnel, the Anglo-French group, suspended interest payments on £8bn ($12bn) of debt. It can last for up to 18 months. During the first six months an 85 per cent vote was needed to terminate the agreement.

If the standstill period ends before a refinancing agreement has been reached, the Channel tunnel operator could go into administration. However, while the chance of a bank revolt is theoretically more possible, bankers report little prospect of this happening at the moment.

The prospect of the March 14 deadline was one of the factors which motivated the French commercial court last month to appoint two mediators.

Bankers say that the negotiations are still deadlocked while they await detailed information from Eurotunnel on its long-term growth prospects.

DIGEST

Bata buy moves Facia into Europe

Mr Stephen Hinchliffe, the acquisitive entrepreneur who is rapidly building up one of the UK's largest private retail businesses, yesterday took his first steps into continental Europe with the purchase of a chain of Bata shoe shops in Germany.

As with virtually all of the 13 acquisitions announced over the last 18 months, Facia, Mr Hinchliffe's company, refused to disclose the purchase price. However, Mr Gary O'Brien, Facia's chief operating officer, said the group in general preferred to pay a discount to net assets for acquisitions. The net assets of Bata Shüe are expected to exceed DM27m on completion of the deal.

Facia is buying 110 stores with sales of more than DM110m.

Peggy Hollinger

JIB in red after exceptionals

Exceptional charges forced JIB, the insurance broker which is 61 per cent owned by Jardine Matheson, into the red in 1995 with pre-tax losses of £49.6m against profits of £24.4m.

Mr John Barton, chief executive, said charges of £78.1m arose from refocusing the group on reinsurance and affinity insurance, for groups such as the British Medical Association.

Mr Barton said the fall in profits from continuing businesses reflected intensive competition in the London reinsurance market. Over the last five years the company had lost about half of its clients due to closure or bankruptcy. Overseas, however, Mr Barton said the reinsurance market promised substantial growth.

Peggy Hollinger

Keswick promotes Kvaerner

Mr Simon Keswick, chairman of Trafalgar House, yesterday urged investors in the lossmaking construction, engineering and shipping group to accept Kvaerner's £904m bid after warning that Trafalgar was unlikely to pay a dividend for at least a year. His comments were contained in an offer document sent to Trafalgar shareholders by the Norwegian engineering and shipping group, which has offered 50p for each Trafalgar ordinary share and 80p for each convertible preference share.

Kvaerner, which is raising £750m of borrowings to finance its purchase, intends to raise a similar amount from disposals of non-core assets of the combined businesses. Industry analysts expect these to include Cunard, Trafalgar's lossmaking cruise shipping line. However, Mr Erik Tonseth, Kvaerner's chief executive, told shareholders he would examine "a range of options regarding the development of Cunard, which do not preclude Cunard remaining a part of Kvaerner".

Andrew Taylor and Tim Burt

Leeds raises £15m for purchase

Leeds Group, the yarn and fabric dyer and printer, is raising £15.1m ($23m) net via a placing and open offer. Part of the proceeds will fund the £11m initial consideration for Nemesis, a north Italy-based fabric company it is acquiring for up to £15.7m. Hambros Bank is underwriting the placing and 21-for-100 offer of 6.27m new ordinary shares at 256p.

Nemesis, based in Solbiate Arno, near Milan, is owned by the Prandoni family and specialises in making printed cotton fabric for garden furniture and home furnishings. For the year to September 30 1995 it made pre-tax profits of £2.37m on turnover of £22.9m, of which more than 70 per cent was accounted for by exports. It sources most of its fabric from Russia and China.

Leeds is assuming debt in Nemesis which, excluding guarantees, amounted to £10.8m at January 31. The deferred payments are profit-related.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baynes (Charles)	Yr to Dec 31	202.6	(144.8)	17.7♠	(12.7)	6.83†	(4.63)	1.6	May 24	1.3	2.5	2
BPP	Yr to Dec 31	65.5	(53.6)	8.54	(6.9)	19.6	(15.4)	7.6	May 9	6.5	11.2	9.6
Brent Intl	Yr to Dec 31	142.5	(128)	3.53♠	(8.01)	1.7	(6)	1.4	April 27	2.6	2	4.2
Church	Yr to Dec 31	78.4	(76.6)	4.55	(3.59♠)	27	(20.7)	11.5	May 7	10.75	14.5	13.75
English China Clays	Yr to Dec 31	885.9	(1,041)	95.1	(93♠)	21.04	(20.05)	11.2	June 11	10.9	16.7	16.25
Euro Sales Finance Φ	6 mths to Dec 31	0.311	(-)	0.455L	(-)	7.58L	(-)	-	-	-	-	-
Freeport Leisure	6 mths to Dec 30	2.09	(1.01)	0.502	(0.112)	2.7†	(0.98)	-	-	-	-	-
Furlong Homes Φ	Yr to Dec 31	8.82	(7.54)	0.621♠	(0.706)	12.4†	(19.6)	1.3	May 13	1.2	2.5	1.2
Haden MacLellan	Yr to Dec 31	438	(370.6)	11.1	(1.7♠)	6.5	(0.4)	1.3	July 3	1.1	2.4	2.1
Heywood Williams	Yr to Dec 31	562.5	(519.6)	38.7♥	(33.1)	28.7	(21)	8.8	May 1	8.8	13.8	13.8
Horace Small	Yr to Dec 31	80.2	(74.3)	3.19♠	(3.02♠)	10.2†	(11.5)	nil	-	nil	nil	nil
JIB	Yr to Dec 31	211.9	(226.2)	49.6L♠	(24.4)	44.6L	(11.5)	5	May 13	5	7.5	7.5
Lambert Howarth	Yr to Dec 31	89.3	(72.1)	1.67	(1.73)	9.6†	(13)	4.85	May 16	4.85	7.1	7.1
Radius	Yr to Dec 31	26.1	(24.9)	1.81	(1.45♥)	4.37	(3.45)	0.9	May 13	0.7	1.35	1.05
Reed Intl	Yr to Dec 31 ‡	3,649	(3,035)	736	(620)	51.7	(42.7)	17	May 29	14.8	24.5	21.5
Ricardo	6 mths to Dec 31	46	(41.7)	2.38♠	(3.05)	3.4	(4.3)	2	May 4	2	-	6.3
Rosebys	Yr to Dec 30	69.2	(51.3)	4.01	(2.83)	11.8†	(9.1)	4	May 17	3.35	5.6	4.85
Schroders	Yr to Dec 31	-	(-)	197.3	(195.4)	71.5	(68.3*)	11.5	May 3	9.7*	16	13.7*
Shire Pharms	6 mths to Dec 31	12.1	(2.86)	4.84	(2.35L)	14.6	(12.9L)	-	-	-	-	-
Spring Ram	Yr to Dec 30	300	(256.6)	43.6L♠	(3.3♠)	8L	(0.7)	nil	-	0.5	nil	0.5
Tilbury Douglas	Yr to Dec 31	456.4	(406.3)	16.5	(15.2)	33.3	(30.2)	15	July 1	22.5	22	33
Waste Recycling	Yr to Dec 31 ‡‡	9.55	(3.14)	3.07	(1.16)	6.7†	(4.2)	1.5	May 9	1	1.5	1.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Mercantile	Yr to Jan 31	354.13	(300.3)	13.7	(10.1)	9.41	(6.9)	2.35	May 1	1.875	7.6	6.9
Govett Global	Yr to Jan 31	107.52	(88.11)	0.022	(0.01)	0.1	(0.06)	-	-	-	-	-
Pacific Assets	Yr to Jan 31	146.6	(117)	0.375	(0.389)	0.42	(0.495)	0.35	⚹	0.325	0.35	0.325
Throgmorton Dual	6 mths to Jan 31	187.7	(666.2)	0.859	(0.629)	3.73	(2.73)	1.75♦	April 30	1.75	-	7.1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡Turnover and profit figures refer to combined Reed Elsevier business. *Equivalent after allowing for scrip issue. ΦAim stock. ⚹Already paid. ‡‡Comparatives cover period from Feb 21 to Dec 31 1994. ♦Second interim, making 3.5p to date.

هكذا من الأصل

COMMODITIES AND AGRICULTURE

Oil price hits two-month high in extended rally

By David Lascelles, Resources Editor

The oil price rose for the third day in succession yesterday, hitting its highest point in London in over two months.

Brent crude for April delivery was at $19.11 a barrel, up 35 cents, taking the gain so far this week to 94¼ cents, and putting the price close to the year's high on January 9.

Short term buying pressures also pushed the price for near-term delivery far above longer dated contracts. Brent for December delivery stood at $16.30. This situation, known as backwardation, reverses the more usual price differential where the longer dated contracts are the most expensive.

Traders gave a variety of reasons for the upward pressures. Low stocks of gasoline in the US were said to be boosting demand for crude. But other traders said this had been known for some time.

Mr Peter Gignoux, head of the energy desk at brokers Smith Barney, cited short term timing issues related to cargo movements. He noted that oil had not recently stayed above $19 for long, and he expected it to decline once deliveries were flowing smoothly again. "There is a lot of overhead resistance," he said. He also noted that the northern hemisphere spring would tend to reduce buying pressure.

Economic growth 'may spark commodity boom'

By Deborah Hargreaves

Growth in the world economy together with tight stocks of most raw materials could lead to another commodity price boom by the end of the year, according to the latest research from Goldman Sachs, the US broker.

The report estimates that by the end of the year and in the first half of 1997, nearly all regions of the global economy will have average or above average growth rates.

"Historically, with capacity already stretched, such a period of synchronous growth would be expected to generate commodity returns in excess of 20 per cent for an extended period," said Mr Steve Strongin, Goldman's commodity strategist in his latest report.

Goldman Sachs forecasts that the US, European Union and Japanese economies will grow at between 2 and 3 per cent this year and next, but that growth in Latin American and non-Japanese Asia will be between 5 and 8 per cent respectively with the Middle East and Africa at 4 per cent.

Strong growth in the emerging markets with their intensive use of commodities, tight stocks and a lagging but strong G-7 "is about the best possible set of structural conditions for a sustained commodity rally," the report notes.

In addition, high levels of global demand have driven commodity stocks in most categories well below normal levels, Mr Strongin notes. This leaves markets such as oil, wheat, aluminium and copper vulnerable to supply disruptions and demand surges.

Mr Strongin points out that low stock levels have caused price surges every time there is a slight disruption in supply or a demand increase which would barely be noticeable if stocks were higher.

Common ground sought on 'sustainable' forestry

By Manuela Saragosa in Jakarta

A fresh effort to find common ground between the forestry industry and environmentalists was launched last week in Indonesia, home to the world's second-largest reserves of rainforests, after Brazil.

The week-long public hearing was held in Jakarta by the World Commission on Forests and Sustainable Development, which was established after the 1992 Rio de Janeiro "Earth Summit". It was the first in a series intended to help the commission compile policy recommendations to be handed in to the United Nations next year.

No policy suggestions were made at the end of the Jakarta hearing, but the commission reiterated its conviction that there were possibilities of accommodating both conservation and forest development objectives.

This basic premise has led some environmentalists to dismiss the event as the "usual rhetoric". But its supporters say the commission's aim of setting a standard for the global forestry industry against which individual countries will be able to measure their policies is a step in the right direction.

With issues such as the protection of biodiversity and the role of industry in deforestation on the agenda, debate between some 300 participants often erupted into shouting matches in what was, for Indonesia, a rare display of open public debate.

The commission said calls by northern non-governmental organisations and environmental advocacy groups to preserve what is left of the world's forests did not accommodate the needs of 500m Asians who still lived in poverty.

It also became apparent that there was no consensus on a definition of sustainable development nor on the extent to which biodiversity should be protected. "A question still unanswered is: 'Can you successfully log without impoverishing biodiversity?'," said Mr Ola Ullsten, the former Swedish prime minister who is also the commission's co-chairman. "The answer I think is no." That led to a second question: "How much loss of biodiversity is acceptable?"

Few participants doubted that a significant reduction in the rate of deforestation would have to involve recognition of the land rights of local people; slash and burn agriculture, is recognised as the largest contributor to deforestation in the developing world.

A widespread view at the hearing was that communities living near or in the forest must have more control over its use and management.

"Local communities should be given a fair share of forest benefits, such as profits earned by forest industrial companies and those using forest genetic materials in the pharmaceuticals industry," the commission said in its final statement.

Pellets hit the mark for steel producers

A record-breaking settlement has stretched iron ore price premiums, writes Bob Jones

Iron ore pellet suppliers are swiftly bringing their 1996 price negotiations to a close in Europe following the record-breaking benchmark settlement negotiated by the Iron Ore Company of Canada at the end of last month.

Europe is the largest consuming region for internationally shipped pellet and tends to act as the price setter during the annual price talks.

The 1996 talks had looked as though they might hit serious difficulties until German steelmakers agreed to a compromise with IOC.

The new IOC level is 53.8 US cents FOB for each 1 per cent of iron content in a tonne of ore, which equates to about $34.60 a tonne and is a 7.5 per cent increase from last year. The Canadian miners are hailing the price as the highest ever booked.

The pellet price negotiations had threatened to take longer than usual because pellet suppliers enjoyed remarkably good demand in 1995. European steelmakers, however, suffered severe price drops for some finished products in the second half and insisted that pellet demand would not be so good in first half 1996.

Buyers also argued that pellet suppliers had already enjoyed highly favourable increases in the 1995 price talks.

There are three main types of iron ore: fines, lump and pellet. The benchmark price for fines, which is the biggest volume item, was settled in Japan at the end of January. BHP Iron Ore agreed a 6 per cent price rise with Japanese steelmakers. To the surprise of most commercial executives in the industry, the Australian miner at the same time agreed a lower lump price increase of 5 per cent.

Both miners and consumers agree that fine ore has been, commercially speaking, the weakest area of the iron ore industry for at least the last couple of years. Steelmakers often favour lump and pellet ore, because these grades do not have to be sintered (coalesced by baking) before being fed into the blast furnace. Fines, it is thought, may be in surplus worldwide to the tune of about 10 per cent – though most iron ore miners state they suffer from bottlenecks and are delivering as fast as they can. The global markets for the lump and pellet grades are regarded as tighter.

In the past two years the prices for lump and pellet have been rising faster than fines prices. The premiums for lump have risen moderately – by about 10 per cent in Japan for example. But the pellet premiums have in some cases reached record levels. The premium for Canadian pellet over Canadian concentrates (equivalent to fines) has increased by more than 22 per cent since 1994 on a fob basis to 23.8 cents (see table).

Iron ore fines prices may have risen by more than 12 per cent over the same period, but they are still well below the high point reached in 1991. Pellet prices are now looking much healthier. Not surprisingly it is pellet production that is receiving by far the greatest investment of all the iron ore types.

The latest surge of investment in pelletising has seen the commissioning of new plants in Sweden and Venezuela. Projects to install new capacity are under construction or have been approved in India, Venezuela, Chile, Mexico and Brazil. Further investments in pelletising are under study in Peru, Saudi Arabia and Australia.

The engine for this growth, however, is not primarily the traditional blast furnace operators, which comprise by far the largest number of pellet consumers. This is despite the fact that overall seaborne volumes of iron ore are increasing – from 379m tonnes in 1994 to 405m last year. The figure should have increased further to 420m tonnes by 2000, according to Brazil's CVRD.

This growth will mainly be in Asia, which is not as heavily associated with pellet consumption in blast furnaces as Western Europe and the USA.

The main reason for the new interest in pelletising is the expected growth in direct reduced iron making. DRI can be used as a scrap substitute and is one of the key feedstocks for the new generation of mini-mills that are increasingly stealing market share from blast furnace-based steelmakers – especially in the US and parts of Asia.

Most pelletisers believe that the DRI market has the more attractive prospects. Besides, DR-grade pellet sells at a 7.5 per cent premium to blast furnace pellet.

Last year DRI production worldwide was 30.7m tonnes, according to the largest DR technology supplier, Midrex Corporation of the US.

That was 12 per cent higher than the 1994 total. Midrex predicts that global DRI output will hit 48m tonnes in 2000, and 53m tonnes in 2005. This 18m-tonne growth in five years predicates a requirement for upwards of 30m tonnes more DR pellet.

If fines prices drop during this period, as the cyclicality of the steel business leads one to expect, pellet prices should be dragged down too.

But the premium for pellet over fines should stay high, giving pellet operators the margin they need for profitability.

Bob Jones is deputy editor (steel) of Metal Bulletin magazine.

IRON ORE PRICES
(US cents per 1% iron content in a tonne of ore)

Supplier	Destination	Ore Type	1996	1995	1994	1991
BHP	Japan	Mt Newman Fines	28.78	27.15	25.66	33.49
BHP	Japan	Mt Newman Lump	37.68	35.89	33.26	41.48
IOC	Europe	Carol Lake Concentrates	30.00	27.70	26.15	34.60
IOC	Europe	Carol Lake Pellet	53.80	50.05	44.00	53.00

Source: Metal Bulletin

MARKET REPORT

Supply tightness lifts lead prices

LEAD prices reached fresh five-year highs on the London Metal Exchange yesterday before easing back a few dollars. Physical demand in Europe was fairly slow, but tightness around the March delivery date was making some traders nervous about selling the market.

The fact that total world reported stocks were below the critical five weeks' consumption level was also deterring sellers, traders added.

ZINC prices rose to a fresh 10-month highs at one stage but producer selling, mine pricing and profit-taking combined to cap the rally, and three month delivery position ended the after hours "kerb" at $1,110 a tonne, down $5 from Tuesday..

The three months delivery price for ALUMINIUM fell to $1,636 a tonne from $1,645 after peaking at $1,650. The major upside objective was pegged at the recent $1,667 high, although a period of consolidation would be needed before the level could be breached, chart watchers predicted.

TIN spent most of the day in the minus column as bearish charts continued to pressure prices. But the market managed a small $10 rise to $6,110 by the close for the three months position.

Three months NICKEL also nudged up $30 to end at $8,140 a tonne.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1614.5-5.5	1644-5
Previous	1606.5-7.5	1636-7
High/low	1617.5/1617	1650/1634
AM Official	1617-7.5	1647-7.5
Kerb close		1635-6
Open int.	216,575	
Total daily turnover	72,660	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1356-65	1395-400
Previous	1350-60	1390-5
High/low		1403/1398
AM Official	1355-8	1395-400
Kerb close		1398-5
Open int.	5,056	
Total daily turnover	736	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	811.5-3.5	791-1.5
Previous	799.5-800.5	783-4
High/low	809	792/788
AM Official	808.5-9.5	787-8
Kerb close		788-9
Open int.	39,979	
Total daily turnover	10,401	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8058-60	8155-60
Previous	7990-8000	8090-100
High/low	8035/8030	8170/8125
AM Official	8025-30	8130-35
Kerb close		8130-40
Open int.	40,342	
Total daily turnover	7,374	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6060-70	6100-5
Previous	6010-20	6050-60
High/low		6110/6060
AM Official	6055-65	6095-100
Kerb close		6100-10
Open int.	16,413	
Total daily turnover	4,084	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1097.5-8.5	1117-8
Previous	1084.5-5.5	1102-3
High/low		1123/1107
AM Official	1096-7	1115-6
Kerb close		1109-10
Open int.	69,982	
Total daily turnover	22,809	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2593-5	2571-2
Previous	2604.5-6.5	2579-80
High/low	2600	2582/2565
AM Official	2600-1	2576-7
Kerb close		2568-7
Open int.	178,590	
Total daily turnover	67,120	

■ LME AM Official £/$ rate: 1.5235
LME Closing £/$ rate: 1.5230

Spot: 1.5227 3 mths: 1.5202 6 mths: 1.5177 9 mths: 1.5152

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	120.10	-1.30	121.20	120.05	950	4,001
Apr	119.85	-0.80	120.20	119.40	319	1,760
May	118.85	-0.80	120.00	118.70	5,364	21,037
Jun	116.85	-0.90	116.85	116.85	15	858
Jul	115.50	-0.95	116.20	115.40	395	4,980
Sep	113.20	-0.85	113.60	113.30	211	2,824
Total					7,726	N/A

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	396.60-396.90		
Opening	397.00-397.40		
Morning fix	397.40	261.052	472.688
Afternoon fix	396.50	260.341	471.557
Day's High	397.70-398.10		
Day's Low	396.30-396.60		
Previous close	396.20-396.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.33	6 months	3.90
2 months	4.21	12 months	3.78
3 months	4.11		

Silver Fix	p/troy oz.	US cts equiv.
Spot	365.65	557.50
3 months	371.20	564.55
6 months	376.00	571.10
1 year	385.90	584.50

Gold Coins	$ price	£ equiv.
Krugerrand	395-398	259-261
Maple Leaf	407.90-410.45	-
New Sovereign	93-96	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	396.8	+0.3	396.0	396.0	1	-
Apr	397.7	+0.2	398.7	397.1	29,048	81,392
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.75	+0.30	117.50	118.75	125	135
May	118.85	+0.05	119.75	118.80	336	3,413
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

Note and Seeds: [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	874	-5	-	-	-	83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	133.25	-1.25	134.90	132.25	1,532	16,698
Jul	132.15	-1.35	133.50	131.50	[illegible]	[illegible]
Sep	130.75	-0.70	131.25	130.00	119	2,120
Nov	127.75	-0.20	-	-	68	818
Jan	125.20	-1.30	126.00	125.25	70	2,610
Mar	127.00	-1.25	127.00	127.00	20	144
Total					2,481	26,359

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 13	Mar 12	month ago	year ago
2135.6	2132.4	2142.2	2337.7

■ CRB Futures (Base: 1967=100)

Mar 12	Mar 11	month ago	year ago
246.89	245.47	249.68	235.67

■ GSCI Spot (Base: 1970=100)

Mar 12	Mar 11	month ago	year ago
195.79	195.31	191.26	174.32

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	63.575	+1.500	63.675	63.050	5,636	29,863
Jun	64.300	+0.050	64.450	63.750	4,167	28,891
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	48.750	+0.100	49.050	48.400	472	4,253
Oct	45.175	+0.075	45.450	45.100	244	2,871
Dec	46.350	+0.125	46.600	46.300	94	1,598
Total					7,131	37,737

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	70.500	-0.125	71.050	69.750	296	807
May	69.425	-0.250	70.500	68.200	1,426	5,773
Jul	66.100	-0.200	67.300	65.150	398	2,350
Aug	62.200	-0.325	63.500	61.800	[illegible]	[illegible]
Feb	62.700	-0.825	63.500	63.500	9	51
Mar	62.500	-0.350	-	-	-	8
Total					2,139	16,677

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	139	-	5	-
1600	68	103	27	47
1700	19	55	82	98
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	-	138	-	60
2500	103	87	39	106
2600	52	51	87	167
■ COFFEE LCE	May	Jul	May	Jul
1850	105	133	72	164
1900	81	115	98	196
1950	62	99	129	230
■ COCOA LCE	May	Jul	May	Jul
875	30	63	15	22
900	16	48	24	32
925	8	36	41	45
■ BRENT CRUDE IPE	Apr	May	Apr	May
1700	-	115	-	23
1750	-	-	2	46
1800	-	55	5	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.08-7.11w	+0.29
Brent Blend (dated)	$19.60-9.62	+0.27
Brent Blend (Apr)	$19.10-9.12	+0.35
W.T.I.	$20.78-0.80w	+0.43

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$187-188	+1
Gas Oil	$187-189	+3
Heavy Fuel Oil	$107-108	
Naphtha	$174-176	+1
Jet fuel	$212-214	+4
Diesel	$189-191	+5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

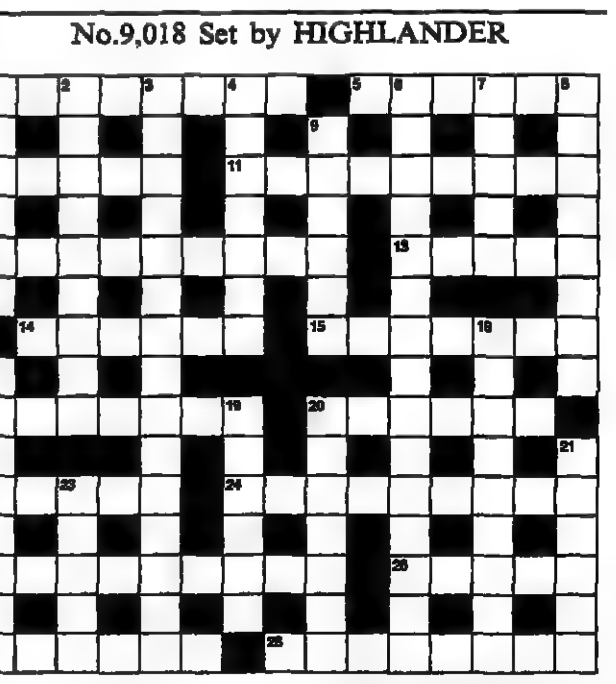
		+or-
Gold (per troy oz)♣	$396.75	+0.35
Silver (per troy oz)♣	559.50c	+9.75
Platinum (per troy oz.)	$413.50	+2.0
Palladium (per troy oz.)	$141.00	-0.5
Copper	122.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.23m	-0.01
Tin (New York)	267.50c	+2.0
Cattle (live weight)†	117.33p	-0.12*
Sheep (live weight)†♠	152.70p	+7.62*
Pigs (live weight)†	106.47p	+1.66*
Lon. day sugar (raw)	$322.4	
Lon. day sugar (wte)	$395.3	-3.7
Barley (Eng. feed)	113.25	-0.25
Maize (US No3 Yellow)	148.5z	
Wheat (US Dark North)	Unq.	
Rubber (Apr)♥	105.50p	-1.0
Rubber (May)♥	105.50p	-1.0
Rubber (KL RSS No1)	395.50m	-7.0
Coconut Oil (Phil)§	$710.0v	-7.5
Palm Oil (Malay.)§	$517.5	+7.5
Copra (Phil)§	482.0v	
Soyabeans (US)	206.0	
Cotton Outlook'A' Index	83.50	+0.30
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Apr. v Apr/May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week †Prices are for previous week.

JOTTER PAD

CROSSWORD

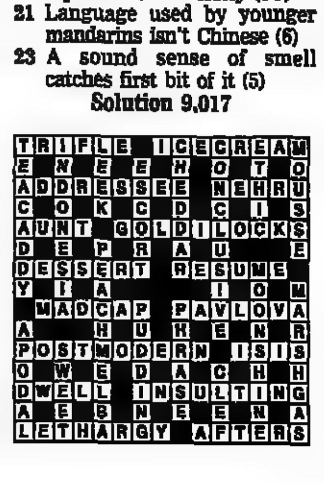
No.9,018 Set by HIGHLANDER



ACROSS
1 Reserved a funny act to introduce one performance (8)
5 British vessel used by mild producer perhaps (6)
10 Keep supplies of basic film material (5)
11 For a limited period like Mich. (or Hil.) (5-4)
12 In France, one second knocked off without any training (9)
13 Worked without starter being greased (5)
14 Substance and content are important (6)
15 Sounds like chancellor needs one, with a bloomer every year! (7)
16 Made shorter defender score first (3,4)
20 He helps restaurateur write a novel (6)
22 One leg before, one caught in classical style (5)
24 One day briefly ceases to cook meat dish (9)
25 Is put out behind and lay down (9)
26 Man I would put first, in a manner of speaking (5)
27 Gets wind of American money on board (6)
28 Type of office ready for business proposal (4-4)

DOWN
1 This paper has to publish on time (6)
2 Annoyed worker swallows one for breakfast in France? (9)
3 Allow for Kate going off very interested in the story (4,4,7)
4 Western thief has to move quietly on top of roof (7)
6 Justification afterwards for the process of cutting down (15)
7 Turn on wide part of shoe (5)
8 Army engineers laid up – but healing (8)
9 Detectives run on, all over Scandinavian (6)
16 Don't move the Tower's cash register (4,5)
17 Blots out loss of power on bend (8)
19 King at the rear has an oriental coat (6)
20 Published account correctly reported to university (5-2)
21 Language used by younger mandarins isn't Chinese (6)
23 A sound sense of smell catches first bit of it (5)

Solution 9,017



INTERNATIONAL CAPITAL MARKETS

Europe still coupled to US yields

By Samer Iskandar in London and Lisa Bransten in New York

European bond markets were firmer early yesterday, but lost ground later in the day when traders were made nervous by an erratic US Treasury market.

Analysts expect a rebound soon, due to a bullish economic environment in Europe, but a decoupling from US yields seems unlikely in the immediate future.

■ US Treasury prices seesawed through the morning and were flat by midday as traders prepared for data on consumer and producer prices due out today and tomorrow.

Near midday, the long bond was $\frac{1}{32}$ higher at 91¼ to yield 6.653 per cent and the two-year note was up $\frac{1}{16}$ at 98$\frac{23}{32}$ to yield 5.705 per cent.

Treasuries began the morning by recouping most of the losses made on Tuesday, but by mid-morning the market began falling as commodity prices continued to rise.

In particular, rising oil prices set off fears that inflationary pressures could emerge and erode the value of longer-term securities.

By late morning crude oil futures traded on the New York Mercantile Exchange had passed Tuesday's levels to post record highs. The April crude contract added 24 cents to $20.70.

The report last Friday of a jump in non-farm employment sent the Treasury market tumbling as traders worried that a tight labour market and a strong economy could create inflationary pressures in the economy.

The market did get some relief from the Federal Reserve's Beige book, which was prepared in advance of the March 26 meeting of the Fed's Open Market Committee and released at noon.

Although the report documented a modestly expanding economy in the first two months of the year it found that manufacturing activity was "fairly flat" and that wages and prices were subdued.

The market has written off the possibility of the Fed cutting interest rates at the FOMC meeting but the report was interpreted as a signal that the central bank is not preoccupied with the prospect of a resumption of inflationary pressures.

GOVERNMENT BONDS

■ UK gilts recovered partly from the losses incurred last Friday and earlier this week, sustained by the release of weaker-than-expected unemployment data for February.

Liffe's June 10-year gilt future settled at 104$\frac{11}{32}$, up $\frac{9}{32}$. Some analysts believe the recent fall in bond markets has been "overdone", and expect a rebound soon. However, given the high correlation between the UK and US markets, there is a possibility that "gilts could fall further if we see more weakness in Treasuries", said a trader.

■ German bunds were firmly supported in early trading, but suffered later from weakness in the US Treasury market. Liffe's June 10-year bund contract settled at 95.26, up 0.07, but well off its high of 95.65.

■ Italian bonds traded higher during the day on reports that a 12.5 per cent withholding tax was about to be scrapped for non-residents, but lost ground later in the wake of falling Treasuries and bunds. The measure was approved last year, but market participants were awaiting the announcement of implementation details.

Liffe's June future on 10-year BTPs closed at 108.24, down 0.06. The 10-year spread over German bunds, which has narrowed substantially in the last few weeks, stood at 425 basis points, down from 487 basis points at the end of 1995.

According to Mr José Luis Alzola at Salomon Brothers, the removal of the withholding tax "has certainly played a role in the narrowing of spreads in the last few months", but its effects are expected to be short-lived. Mr Alzola also warned of a possible rise in volatility in the run-up to the elections on April 21.

■ French government bonds traded up during the day, but ended off their highs. Matif's March notional contract closed at 120.82, up 0.24. The March 3-month Pibor contract settled at 95.64, up 0.04. In the cash market, the spread over 10-year bunds widened by one basis point to 17 points.

■ Spanish bonds closed higher, buoyed by a 50 basis point cut in the central bank's intervention rate, bringing it to 8.25 per cent. This fillip allowed the market to overlook the release of slightly disappointing inflation data for February. The March 10-year bono future settled at 93.78, up 0.24.

Daiwa plans Burmese OTC joint venture

By Peter Montagnon in Tokyo

Japan's Daiwa Securities has applied to the Burmese government for permission to establish a joint venture company to develop an over-the-counter market in local shares, according to Mr Zenichi Ishikawa, managing director of the Daiwa group's research institute, which is assisting in the project.

Together with its prospective partner, the Myanmar Economic Bank, Daiwa believes an over-the-counter market will be a stage on the way to the establishment of a full stock exchange in Burma.

Daiwa has pledged to help the Burmese authorities set up a stock exchange. This is still at least two or three years away, Mr Ishikawa said.

Burma's socialist government nationalised most industries in the 1960s, and the country still lacks companies eligible for flotation.

Recently, however, there has been some informal trading of shares in companies that are joint ventures between the government and the private sector, said Mr Ishikawa.

Daiwa's venture aims to facilitate this business and create the nucleus of a more formal exchange on which Burmese companies could be listed as they are eventually privatised, he said.

Daiwa is one of several Japanese companies that have been showing an interest in Burma because of the country's large natural resources in the form of natural gas, minerals and timber.

Burma is also an attractive trading partner for Japan because of its rice surplus, which could be increased sharply with modern irrigation methods, Mr Ishikawa said.

Issuers tap demand from European retail investors

By Conner Middelmann

The eurobond market had an active session yesterday, but most of the new issues were short-dated, relatively small and targeted at European retail – currently the only investors willing to buy new bonds.

Germany's Landesbank Schleswig-Holstein issued $200m of three-year bonds whose 6 per cent coupon – lifted by the recent back-up in yields – was attractive to retail buyers, said SBC Warburg, joint lead with Nomura.

A longer-dated 6 per cent offering for Rabobank, maturing in December 1999, was also retail-targeted. Pricing, at 5 basis points over the three-year Treasury and about flat to the interpolated curve, was deemed tight but lead manager Daiwa reported good demand from European retail accounts.

General Electric Capital Corp, meanwhile, offered retail investors DM250m of three-year bonds carrying a 5 per cent coupon and yielding 5 basis points over bunds at the issue price, via SBC Warburg.

The flood of French franc deals for non-French borrowers continued, with two offerings triggered by attractive arbitrage opportunities and strong demand.

INTERNATIONAL BONDS

"Domestic investors have been keen to diversify away from French names while foreign investors, who were underweight in francs at the beginning of 1996, have been buying heavily," said a dealer at a French bank. "This has been one of the few sectors this year where investment flows have exceeded supply."

Toyota Motor Credit Corp issued FFr1.5bn of six-year bonds via Paribas yielding 13 basis points over French government bonds. Its triple-A rated issue got a warmer reception than the FFr1.5bn offering of five-year bonds for Bayerische Hypothekenbank, rated Aa2/A+ and priced to yield 19 basis points over government debt. "There's been more than FFr10bn of German bank debt in the last month – people are bored with it," said a dealer.

Daily Mail & General Trust issued £100m of 25-year bonds yielding 154 basis points over the new 25-year gilt, targeted largely at UK institutions.

Mexican oil company Pemex made a successful debut in Italian lire. Its L300bn two-year deal, priced at 270 basis points over swaps, achieved the lowest coupon and spread of any emerging-market issuer in lire, lead manager JP Morgan said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Rabobank	200	6.00	99.98R	Dec 1999	0.19R	+5(5¾%-99)	Daiwa Europe
LB Schleswig-Holstein	200	6.00	99.80R	Apr 1999	0.19R	+9(5¾%-99)	SBCW/Nomura Intl
National Bank of Canada‡	150	(a)	99.99R	Apr 1999	0.13R	-	PaineWebber
D-MARKS							
GECC	250	5.00	99.92R	Dec 1999	0.29R	+5(7¾%-99)	SBC Warburg
SWISS FRANCS							
Pfandbrief Series 330	250	4.25	100.37	Apr 2004	undisc	-	Credit Suisse
Credit Suisse	200	4.38	100.75	Apr 2004	undisc	-	Credit Suisse
McDonald's Corp#	125	3.75	102.35	Nov 2000	undisc	-	Credit Suisse/Merrill
STERLING							
Daily Mail & General Trust	100	10.00	98.57R	Apr 2021	0.68R	(b)	Merrill Lynch
GUILDERS							
Nedgas(c)§	200	4.25	102.50	Apr 2006	2.50	-	Rabo Securities
FRENCH FRANCS							
Bayerische Hypothekenbank	1.5bn	6.125	100.08R	Apr 2001	0.28R	+19(l)	Credit Agricole
TMCC(d)	1.5bn	6.25	99.97R	Apr 2002	0.28R	+13(l)	Paribas
ITALIAN LIRE							
Petroleos Mexicanos	300bn	12.25	99.91R	Apr 1998	0.63R	-	BCI/JP Morgan
EIB(e)	200bn	7.45	96.72	Feb 1999	1.25	-	BCI/Cariplo/JP Morgan
SPANISH PESETAS							
Council of Europe	10bn	9.90	101.399	Apr 2001	1.625	-	BCH
ESCUDOS							
Eurofima‡	15bn	(f)	101.52	Apr 2006	undisc	-	Banco Cisf
AUSTRALIAN DOLLARS							
Commonwealth Bank Australia	125	8.25	101.025	Apr 1999	1.50	-	CBA
Kredietbank Intl Finance	100	8.375	101.325	Apr 1999	1.60	-	ABN Amro/Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth libor +5bp. b) +145(8¾%-17)/+154(8%-21). c) Convertible into AEX index. Strike at Fl 615 at maturity. d) Toyota Motor Credit Corp. e) Fungible with L1,000bn. Plus 65 days accrued. f) 6-mth Libor –15bp. l) Over interpolated yield.

Lucent IPO price indicated at $22-$25

By Tony Jackson in New York

Lucent Technologies, the equipment business of the US telephone company AT&T being spun off in the biggest ever IPO, has been given an indicated price of $22-$25 per share, valuing the offering of 111m shares at $2.4bn-$2.8bn and the whole business at $13.7bn-$16bn.

This is substantially lower than the market had expected, but AT&T will also transfer over $4bn of debt to Lucent.

Of the 111m shares offered, 87 per cent will be sold in the US and Canada. Co-lead banks are Morgan Stanley and Goldman Sachs.

A further 16.7m shares will be available to the underwriters to cover over-allotment. AT&T said the remaining 525m shares would be distributed to AT&T shareholders by the year end, and could then be sold on the open market.

Lucent warned that it would make an increased operating loss in the seasonally weak first quarter of this year, due partly to the costs of the IPO and partly to higher administrative and research spending.

It predicted a net loss of $100-$140m before accounting changes, against a $22m loss last year.

The company also expects second-quarter profits to be substantially below last year's $159m, resulting in a loss for the first half. From the second quarter, quarterly dividends will be paid starting at $0.75 per share.

The company said competition in its markets was likely to increase. This could materially affect future sales and profits. It also warned that its cost of capital was likely to rise after it has severed its links with AT&T.

As part of a deal to supply equipment to the Sprint Spectrum wireless telephone alliance in the US, it said it was negotiating a $1bn loan to Sprint Spectrum.

Lucent is cutting 22,000 jobs, half of which are in management. The costs formed part of a $1.85bn net restructuring charge last year.

The company made net profits of $960m before net restructuring charges in 1995, against $482m in 1994. Sales rose 8 per cent to $21.4bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.1720	-	9.06	8.62	8.06
Austria		6.125	02/06	96.0300	+0.010	6.68	6.47	6.24
Belgium		7.000	05/05	97.5800	+0.120	7.34	6.75	6.39
Canada *		8.750	12/05	106.8800	+0.510	7.73	7.44	7.00
Denmark		8.000	03/06	101.8800	+0.380	7.72	7.48	7.16
France	BTAN	7.000	10/00	104.6250	-	5.80	5.54	5.36
	OAT	7.250	04/06	103.6200	+0.310	6.71	6.56	6.44
Germany Bund		6.000	02/06	96.9500	+0.200	6.57	6.30	5.98
Ireland		8.000	08/06	99.2300	+0.380	8.10	7.78	7.36
Italy		9.500	02/06	94.0600	+0.280	10.48†	10.26	9.85
Japan	No 129	6.400	03/00	117.0330	+0.040	1.83	1.81	1.82
	No 182	3.000	09/05	98.3830	-	3.25	3.18	2.97
Netherlands		6.000	01/06	96.0400	+0.100	6.55	6.30	5.95
Portugal		11.875	02/05	112.1500	+0.360	9.77	9.64	9.49
Spain		10.150	01/06	100.4500	+0.260	10.05	9.96	9.80
Sweden		6.000	02/05	81.9310	+0.210	9.04	9.00	8.41
UK Gilts		8.000	12/00	102-03	+12/32	7.46	7.05	6.90
		7.500	12/06	95-18	+12/32	8.13	7.82	7.59
		9.000	10/08	105-24	+14/32	8.25	7.96	7.73
US Treasury *		5.625	02/06	94-21	+8/32	6.36	6.04	5.59
		6.000	02/26	91-12	+20/32	6.67	6.43	6.10
ECU (French Govt)		7.500	04/05	101.2200	+0.610	7.31	6.99	6.82

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	5.15	Two year	5.72
Broker loan rate	7	Two month	5.16	Three year	5.95
Fed funds	5½	Three month	5.08	Five year	6.02
Fed funds at intervention	-	Six month	5.18	10-year	6.36
		One year	5.39	30-year	6.67

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.78	120.80	+0.22	121.08	120.64	135,765	93,496
Jun	120.66	120.54	+0.08	120.80	120.30	79,663	80,395
Sep	119.40	119.34	+0.08	119.54	119.38	330	2,511

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
119	-	-	-	0.22	0.54	0.85
120	-	-	-	0.47	0.86	1.19
121	0.44	-	1.20	0.92	-	1.65
122	0.15	0.48	0.78	1.62	1.90	2.20
123	0.04	0.24	0.47	-	-	-

Est. vol. total, Calls 14,898 Puts 15,951. Previous day's open int., Calls 153,328 Puts 144,208.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.20	95.26	+0.07	95.65	95.13	180709	227624
Sep	94.59	94.42	+0.08	94.80	94.37	210	3486

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9500	0.57	1.15	1.40	1.36	0.41	0.89	1.14	1.94
9550	0.38	0.89	1.13	1.13	0.62	1.13	1.37	2.21
9600	0.20	0.66	0.89	0.93	0.94	1.40	1.63	2.51

Est. vol. total, Calls 17916 Puts 17478. Previous day's open int., Calls 280888 Puts 189394

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.65	108.24	-0.06	109.03	108.12	46520	49905
Sep		107.74	-0.06			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
10800	2.10	2.58	1.86	2.84
10850	1.85	2.35	2.09	3.11
10900	1.59	2.13	2.35	3.39

Est. vol. total, Calls 1718 Puts 658. Previous day's open int., Calls 33389 Puts 44849

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	93.75	93.78	+0.21	94.05	93.56	71,004	32,480
Jun	93.52	93.34	+0.22	93.70	93.18	21,847	24,468

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105-13	105-19	+0-12	106-04	105-13	6969	23280
Jun	104-14	104-22	+0-13	105-07	104-13	79795	115757

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
104	1-06	1-47	2-06	2-18	0-28	1-03	1-28	2-40
105	0-35	1-12	1-35	1-52	0-55	1-32	1-55	3-12
106	0-14	0-50	1-07	1-25	1-34	2-06	2-27	3-53

Est. vol. total, Calls 3006 Puts 6207. Previous day's open int., Calls 44845 Puts 20909

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	88.30	88.80	+0.56	89.00	88.18	2,386	4,702
Jun	87.82	88.30	+0.54	88.52	87.68	2,557	6,486

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-11	112-22	+0-09	112-26	112-03	9,067	58,240
Jun	111-27	112-04	+0-08	112-10	111-17	428,185	346,724
Sep	111-09	111-20	+0-10	111-24	111-01	775	16,289

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.75			118.75	118.65	2080	0
Sep	117.55			117.55	117.54	102	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Mar 13	Day's change %	Tue Mar 12	Accrued interest	xd adj. ytd		Low coupon yield Mar 13	Mar 12	Yr. ago	Medium coupon yield Mar 13	Mar 12	Yr. ago	High coupon yield Mar 13	Mar 12	Yr. ago
1 Up to 5 years (23)	121.87	+0.28	121.53	2.42	1.58	5 yrs	7.59	7.69	8.46	7.57	7.67	8.49	7.66	7.77	8.63
2 5-15 years (20)	145.40	+0.50	144.68	3.05	1.35	15 yrs	8.29	8.37	8.41	8.32	8.37	8.61	8.40	8.47	8.73
3 Over 15 years (9)	158.15	+0.45	157.43	2.61	2.52	20 yrs	8.37	8.44	8.38	8.36	8.43	8.51	8.47	8.51	8.66
4 Irredeemables (6)	182.86	+1.25	180.60	4.17	0.00	Irred.†	8.37	8.46	8.43						
5 All stocks (58)	140.87	+0.42	140.28	2.76	1.63										

Index-linked	Wed Mar 13	Day's change %	Tue Mar 12	Accrued interest	xd adj. ytd		Inflation 5% Mar 13	Mar 12	Yr. ago	Inflation 10% Mar 13	Mar 12	Yr. ago
6 Up to 5 years (1)	196.14	+0.11	195.92	3.37	0.00	Up to 5 yrs	3.06	3.12	3.88	1.84	1.88	2.37
7 Over 5 years (11)	183.47	+0.23	183.05	1.26	0.65	Over 5 yrs	3.81	3.82	3.88	3.82	3.83	3.76
8 All stocks (12)	183.63	+0.23	183.21	1.31	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 13	Mar 12	Mar 11	Mar 8	Mar 7	Yr ago	High*	Low*
Govt. Secs. (UK)	92.36	91.97	92.19	92.64	93.39	91.74	96.34	90.22
Fixed Interest	111.26	111.12	111.56	111.71	111.92	109.83	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6
Gilt Edged bargains	214.9	129.3	170.6	94.9	139.3
5-day average	149.2	132.4	127.8	106.0	110.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅝	95⅞		6.74
ABN Amro Bank 7¼ 05	1000	102	102¼	+⅛	7.07
African Dev Bk 7¾ 23	500	98¼	98½	+⅛	7.93
Sweden 8 97	2500	105½	105¾		4.65
United Kingdom 7¼ 97	5500	105	105		3.87
Volkswagen Intl Fin 7 03	1000	101½	101¾	-⅛	6.72
World Bank 0 15	2000	29⅛	29⅜	-⅛	6.80
Abbey Natl Treasury 8 03 £	1000	97¾	98	+⅛	8.43
Alliance Leics 11¼ 97 £	100	105½	105¾	+⅛	6.57
British Land 8⅞ 23 £	150	87⅞	88¼		10.46
Denmark 6¾ 98 £	800	99	99¼		7.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 15¼pc 1996‡‡		15.05	5.80	101	—	108	101
Exch 13¼pc 1996‡‡		13.09	6.03	101		106	101
Conversion 10pc 1996		9.75	6.00	102	—	104	102
Treas 13¼pc 1997‡‡		12.52	6.11	105	—	109	105
Exch 10½pc 1997		10.11	6.13	103		105	103
Treas 8½pc 2005‡‡		8.28	8.00	102		108	96
Treas 7½pc 2006‡‡		7.85	8.13	95		101	94
Treas 7¾pc 2006‡‡		7.98	8.17	97		103	93
Treas 8pc 2002-6‡‡		8.10	8.22	98		104	95
Treas 11¾pc 2003-7		9.83	8.01	119		125	115
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Dollar easier as markets waits for Bundesbank

By Philip Gawith

Currencies remained within established trading ranges yesterday, with markets still unable to establish any important directional trends.

If anything, the dollar had a slightly weaker bias to it, amid reports of a large order to sell dollars against sterling, which drove the dollar down to around DM1.47.

It closed in London at DM1.4718, from DM1.4805, and at Y105.3, from Y105.645.

The D-Mark made good gains against the lira, which suffered a correction after its recent rally. Traders said a background of political nervousness, and concern that interest rate cuts might lag behind Italy's Iberian neighbours, had also added to lira weakness.

The D-Mark was steadier against the Swiss franc, which rose to a 6½ week high following comments from Mr Markus Lusser, governor of the Swiss National Bank, that he saw no need for further rate cuts. Concern about the single currency project has also increased demand for Swiss francs.

The South African budget was well received in financial markets. The rand closed at R3.9055, from R3.93, against the dollar. There was no announcement of exchange control relaxation, although the finance minister said an announcement would be made soon.

Sterling had a slightly steadier day. It closed at $1.5234, from $1.5199, and at DM2.2422, from DM2.2501.

Some weak UK economic data were well received in interest rate markets with most short sterling contracts rallying sharply, after big losses in recent days. The December contract finished at 93.46, from 93.33.

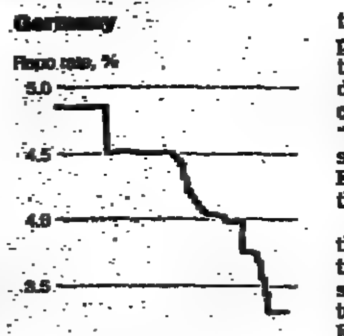
■ The China/Taiwan tensions which lent some support to the dollar last week, now appear to be weighing on it. Mr Peter Farley, analyst at MMS in London, said the dollar has not historically performed well during conflicts in which the US has been involved.

Also weighing on the dollar yesterday were rumours that Taiwan was planning to sell some of its US treasury holdings to support the Taiwan dollar.

■ The London conference on EMU organised by the Royal Institute of International Affairs provided further evidence of the deep seated tensions that exist over Europe. Yesterday's proceedings saw Mr Eddie George and Erik Hoffmeyer, former governor of the Danish central bank, lined up against France's Jean-Claude Trichet and Mr Klaus Regling, director general of the German Ministry of Finance.

Germany

Repo rate, %



Source: Datastream

The nub of Eddie George's submission was this: "What matters fundamentally...is that convergence...is realistically expected to be sustainable over the longer term. Monetary union is intended to be forever. And I am concerned that the Treaty timetable is producing a sort of sprint to the line by the end of next year."

Mr Hoffmeyer stressed that the "leitmotiv" in the European integration process over the past 40 years had been the desire to establish a "security community" in Europe – "where one cannot imagine settling any disputes among European members through the use of military force."

Noting what he described as the "North-European reservation" to monetary union, he said: "It is extremely difficult to sell the advantages that an EMU is supposed to provide in the political field, when it is not possible to identify how and what will be achieved." He was sceptical about the ability of "official propaganda" to change these attitudes.

On the issue of public opinion, Mr Regling conceded that "If people begin to believe that unemployment goes up because of Maastricht...this would actually kill EMU."

In a later speech, Mr Andrew Smith, the UK shadow Treasury minister, said that job creation had to be an important part of the EMU process if it is to be given popular support by the people of Europe. He warned that British rejection of Emu could result in an interest rate premium on sterling assets.

Mr Hoffmeyer alleged that the entrance criteria were being interpreted increasingly strictly (though Mr Regling disputed this). The risk, he said, was that "realisation of EMU between very few countries may create a lasting division of Europe into three groups, namely an EMU, a Northern group that does not wish to join, and a Southern group that is not able to fulfil the criteria." He said this would be a "very destructive development."

■ **Pound in New York**

Mar 13	---Latest---	-- Prev. close --
£ spot	1.5230	1.5240
1 mth	1.5221	1.5231
3 mth	1.5203	1.5213
1 yr	1.5138	1.5140

■ **OTHER CURRENCIES**

Mar 13	£	$
Czech Rp	41.3479 - 41.3849	27.1450 - 27.1550
Hungary	217.256 - 217.448	142.650 - 142.700
Iran	4571.40 - 4569.00	3000.00 - 3000.00
Kuwait	0.4548 - 0.4558	0.2985 - 0.2991
Poland	3.9125 - 3.9162	2.5690 - 2.5700
Russia	7372.84 - 7381.29	4841.00 - 4844.00
U.A.E.	5.5926 - 5.5963	3.6721 - 3.6726

WORLD INTEREST RATES

MONEY RATES

March 13	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3⅝	3⅝	3½	3½	3⅝	7.00	3.00	-
week ago	3⅝	3⅝	3⅝	3½	3½	7.00	3.00	-
France	4⅜	4⅜	4⅜	4⅜	4⅜	3.80	-	5.60
week ago	4½	4½	4⅜	4¼	4¾	3.80	-	5.60
Germany	3⅛	3⅜	3⅜	3⅜	3⅜	5.00	3.00	3.30
week ago	3⅜	3⅜	3¼	3¼	3⅜	5.00	3.00	3.30
Ireland	5⅛	5⅛	5⅛	5¼	5⅛	-	-	6.25
week ago	5	5⅛	5⅛	5⅛	5⅛	-	-	6.25
Italy	9⅞	9⅞	9⅞	9⅞	9¾	-	9.00	9.87
week ago	9⅞	9⅞	9⅞	9⅞	9⅝	-	9.00	9.89
Netherlands	3¼	3¼	3¼	3¼	3¼	-	3.00	3.30
week ago	3⅜	3¼	3¼	3¼	3¼	-	3.00	3.30
Switzerland	2⅛	1⅞	1⅞	1¾	1⅞	5.00	1.50	-
week ago	2	1⅞	1⅞	1¾	1⅞	5.00	1.50	-
US	5⅜	5⅜	5⅜	5⅜	5½	-	5.00	-
week ago	5¼	5¼	5¼	5¼	5⅛	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¼	5⅜	5⅜	5⅝	-	-	-
week ago	-	5¼	5⅜	5¼	5⅜	-	-	-
US Dollar CDs	-	5.10	5.16	5.24	5.47	-	-	-
week ago	-	5.10	4.85	4.89	4.94	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅝	4⅝	-	-	-
week ago	-	4⅜	4⅜	4⅝	4⅝	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3¾	-	-	-
week ago	-	3⅜	3⅜	3⅜	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⁷⁄₁₆ - 3⁵⁄₁₆	3⅜ - 3¼	3⁷⁄₁₆ - 3⅜
Danish Krone	4⅛ - 3¹⁵⁄₁₆	4⁵⁄₁₆ - 4⅛	4⅜ - 4¼	4⅜ - 4¼	4½ - 4⅜	4⅝ - 4½
D-Mark	3⁷⁄₁₆ - 3⁵⁄₁₆	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⁷⁄₁₆ - 3¼
Dutch Guilder	3⁵⁄₁₆ - 3³⁄₁₆	3⁵⁄₁₆ - 3³⁄₁₆	3⁵⁄₁₆ - 3⅛	3⁵⁄₁₆ - 3⅛	3⁵⁄₁₆ - 3¼	3⁷⁄₁₆ - 3⁵⁄₁₆
French Franc	4³⁄₁₆ - 4	4⅛ - 4	4⅛ - 4	4¼ - 4⅛	4¹¹⁄₃₂ - 4⁷⁄₃₂	4¹⁵⁄₃₂ - 4¹¹⁄₃₂
Portuguese Esc.	7¹³⁄₁₆ - 7⅝	7¹³⁄₁₆ - 7⅝	7¹³⁄₁₆ - 7⅝	7²⁹⁄₃₂ - 7¹³⁄₁₆	7⅞ - 7¹³⁄₁₆	7⅞ - 7¹³⁄₁₆
Spanish Peseta	8⁷⁄₁₆ - 8¼	8⁷⁄₁₆ - 8⁵⁄₁₆	8½ - 8⅜	8⁷⁄₁₆ - 8⁵⁄₁₆	8¹⁷⁄₃₂ - 8⁷⁄₁₆	8¹¹⁄₁₆ - 8½
Sterling	5¹⁵⁄₁₆ - 5¹³⁄₁₆	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6⅛ - 6	6⅛ - 6	6⅛ - 6	6¼ - 6⅛
Swiss Franc	2⅛ - 2	2 - 1⅞	1¹⁵⁄₁₆ - 1¹³⁄₁₆	1¹⁵⁄₁₆ - 1¹³⁄₁₆	1¹⁵⁄₁₆ - 1¹³⁄₁₆	2 - 1⅞
Can. Dollar	5⅛ - 5	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼	5½ - 5⅜	5¹¹⁄₁₆ - 5⁹⁄₁₆
US Dollar	5⅝ - 5⅛	5⅜ - 5¼	5⅜ - 5¼	5⁷⁄₁₆ - 5⁵⁄₁₆	5⁷⁄₁₆ - 5¼	5¹¹⁄₁₆ - 5⁹⁄₁₆
Italian Lira	10⅛ - 9⅝	9¾ - 9½	9¾ - 9⅝	9¹⁵⁄₁₆ - 9¹³⁄₁₆	9¹⁵⁄₁₆ - 9¹³⁄₁₆	9⅞ - 9¾
Yen	⅝ - ½	⅝ - ½	⅝ - ½	⅝ - ½	¾ - ⅝	¾ - ⅝
Asian $Sing	1¹³⁄₁₆ - 1¹¹⁄₁₆	1¹³⁄₁₆ - 1¹¹⁄₁₆	1¹³⁄₁₆ - 1¹¹⁄₁₆	2⅛ - 2	2⅛ - 2	2⅜ - 2¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.71	95.74	+0.03	95.75	95.71	10,484	38,850
Jun	95.61	95.64	+0.04	95.65	95.60	16,572	49,645
Sep	95.53	95.57	+0.02	95.59	95.53	6,029	48,480

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.67	96.67	+0.01	96.68	96.65	13582	102264
Jun	96.74	96.75	+0.03	96.76	96.72	34801	219820
Sep	96.58	96.59	+0.03	96.62	96.56	43469	215411
Dec	96.27	96.28	+0.04	96.30	96.25	30002	172764

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.29	90.19	-0.08	90.29	90.19	5011	29189
Jun	90.84	90.72	-0.07	90.86	90.71	15798	34010
Sep	91.10	91.00	-0.08	91.13	91.00	1036	18431
Dec	91.10	91.02	-0.08	91.14	91.01	1540	14268

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.19	98.21	+0.02	98.23	98.14	3648	19450
Jun	98.12	98.18	+0.07	98.24	98.09	6639	24998
Sep	97.94	98.00	+0.07	98.07	97.92	2477	13355
Dec	97.61	97.72	+0.11	97.77	97.61	1415	10176

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.34	95.35	+0.02	95.36	95.34	298	5918
Jun	95.42	95.43	+0.03	95.44	95.42	646	5706
Sep	95.29	95.30	+0.02	95.32	95.29	232	3398
Dec	95.03	95.04	+0.03	95.06	95.03	250	3200

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9000	0.22	0.90	1.23	0.03	0.18	0.23
9025	0.05	0.69	1.03	0.11	0.22	0.28
9050	0.01	0.52	0.85	0.32	0.30	0.35

Est. vol. total, Calls 395 Puts 200. Previous day's open int., Calls 28568 Puts 22082

POUND SPOT FORWARD AGAINST THE POUND

Mar 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7699	-0.0559	621 - 777	15.8222	15.7548	15.7389	2.3	15.6574	2.9	-	-	106.0
Belgium	(BFr)	46.1073	-0.1823	708 - 437	46.3070	46.0520	45.9973	2.9	45.7923	2.7	44.9123	2.6	108.3
Denmark	(DKr)	8.6659	-0.0254	613 - 704	8.6864	8.6585	8.6528	1.8	8.6283	1.7	8.5348	1.5	109.2
Finland	(FM)	6.9821	+0.0006	763 - 878	7.0080	6.9740	6.9777	0.9	6.9698	0.7	-	-	83.8
France	(FFr)	7.6828	-0.0194	800 - 856	7.6947	7.6747	7.67	2.0	7.6488	1.8	7.5914	1.8	108.5
Germany	(DM)	2.2422	-0.0079	411 - 432	2.2488	2.2384	2.2367	3.0	2.2266	2.8	2.1812	2.7	110.3
Greece	(Dr)	367.482	-0.658	302 - 663	368.183	366.858	-	-	-	-	-	-	66.2
Ireland	(I£)	0.9694	-0.0012	655 - 703	0.9705	0.9685	0.9686	1.1	0.9672	0.9	0.9627	0.7	97.4
Italy	(L)	2386.18	+15.4	502 - 734	2387.89	2366.74	2393.93	-3.9	2407.58	-3.6	2457.06	-3.0	74.0
Luxembourg	(LFr)	46.1073	-0.1823	708 - 437	46.3070	46.0520	45.9973	2.9	45.7923	2.7	44.9123	2.6	108.3
Netherlands	(Fl)	2.5114	-0.0081	104 - 124	2.5168	2.5078	2.5061	3.0	2.4931	2.9	2.4449	2.6	108.4
Norway	(NKr)	9.7557	-0.0297	454 - 619	9.8277	9.7424	9.7431	1.3	9.7239	1.2	9.6501	1.1	99.1
Portugal	(Es)	231.709	-0.676	557 - 861	233.029	231.610	232.134	-2.2	233.099	-2.3	-	-	95.6
Spain	(Pta)	188.559	-0.541	471 - 646	189.186	188.394	188.969	-2.6	189.794	-2.6	192.929	-2.3	82.1
Sweden	(SKr)	10.3279	-0.02	179 - 379	10.3695	10.3015	10.3293	-0.2	10.3312	-0.1	10.3364	-0.1	86.8
Switzerland	(SFr)	1.8113	-0.0112	101 - 124	1.8188	1.8087	1.8039	4.9	1.791	4.5	1.7382	4.1	114.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.1
Ecu	-	1.2132	-0.0034	125 - 138	1.2157	1.2121	1.2117	1.5	1.2086	1.4	1.1965	1.4	-
SDR†	-	1.04190	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5232	+0.0035	227 - 236	1.5250	1.5212	-	-	-	-	-	-	-
Brazil	(R$)	1.5023	+0.0068	017 - 029	1.5030	1.4975	-	-	-	-	-	-	-
Canada	(C$)	2.0832	+0.0057	822 - 841	2.0865	2.0795	2.0815	1.0	2.0789	0.8	2.0706	0.6	84.0
Mexico	(New Peso)	11.5550	+0.0163	443 - 656	11.5800	11.5424	-	-	-	-	-	-	-
USA	($)	1.5234	+0.0035	230 - 238	1.5252	1.5212	1.5225	0.7	1.5208	0.7	1.5135	0.6	96.5
Pacific/Middle East/Africa													
Australia	(A$)	1.9686	-0.0031	674 - 698	1.9821	1.9651	1.971	-1.5	1.9757	-1.5	2.0009	-1.7	90.2
Hong Kong	(HK$)	11.7797	+0.0280	758 - 835	11.7921	11.7622	11.7715	0.9	11.7602	0.7	11.7376	0.4	-
India	(Rs)	51.6889	+0.1389	449 - 929	51.9610	51.6390	-	-	-	-	-	-	-
Israel	(Shk)	4.7050	+0.0035	000 - 099	4.7116	4.7000	-	-	-	-	-	-	-
Japan	(Y)	160.414	-0.151	236 - 592	160.580	160.260	159.594	6.2	158.129	5.7	151.794	5.4	137.9
Malaysia	(M$)	3.8745	+0.0059	727 - 762	3.8796	3.8702	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2297	+0.0069	279 - 314	2.2377	2.2255	2.2351	-2.9	2.2449	-2.7	2.2856	-2.5	106.6
Philippines	(Peso)	39.8903	+0.0854	265 - 540	39.9569	39.8240	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7133	+0.0136	117 - 153	5.7200	5.7056	-	-	-	-	-	-	-
Singapore	(S$)	2.1431	+0.0028	418 - 444	2.1465	2.1412	-	-	-	-	-	-	-
South Africa	(R)	5.9497	-0.0233	443 - 550	6.0009	5.9286	-	-	-	-	-	-	-
South Korea	(Won)	1188.83	+2.51	624 - 902	1189.96	1186.99	-	-	-	-	-	-	-
Taiwan	(T$)	41.8928	+0.0977	810 - 045	41.9415	41.8590	-	-	-	-	-	-	-
Thailand	(Bt)	38.4202	+0.0744	948 - 455	38.4560	38.3800	-	-	-	-	-	-	-

† Rates for Mar 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.3518	-0.081	494 - 542	10.3610	10.3300	10.3358	1.9	10.3043	1.8	10.1618	1.6	105.8
Belgium	(BFr)	30.2660	-0.1775	500 - 820	30.4250	30.2000	30.221	1.8	30.129	1.8	29.796	1.6	107.7
Denmark	(DKr)	5.6885	-0.05	870 - 900	5.7025	5.6777	5.6851	0.7	5.6795	0.6	5.696	-0.1	108.3
Finland	(FM)	4.5832	-0.0104	808 - 856	4.6035	4.5746	4.5787	1.2	4.5702	1.1	4.5537	0.6	83.1
France	(FFr)	5.0432	-0.0246	427 - 437	5.0575	5.0335	5.0377	1.3	5.029	1.1	4.9872	1.1	109.0
Germany	(DM)	1.4718	-0.0087	715 - 721	1.4780	1.4686	1.4691	2.2	1.4643	2.1	1.4411	2.1	109.4
Greece	(Dr)	241.225	-0.995	170 - 280	241.900	240.610	242.8	-7.8	246.05	-8.0	260.725	-8.1	65.8
Ireland	(I£)	1.5715	+0.0055	705 - 725	1.5735	1.5686	1.5718	-0.2	1.572	-0.1	1.566	0.3	-
Italy	(L)	1566.35	+6.47	650 - 670	1567.50	1553.75	1572.7	-4.9	1584.45	-4.6	1635.35	-4.4	73.7
Luxembourg	(LFr)	30.2660	-0.1775	500 - 820	30.4250	30.2000	30.214	2.1	30.126	1.9	29.821	1.5	107.7
Netherlands	(Fl)	1.6486	-0.0091	485 - 488	1.6524	1.6444	1.6456	2.2	1.6391	2.3	1.6169	1.9	107.7
Norway	(NKr)	6.4026	-0.0345	988 - 063	6.4550	6.3915	6.4003	0.4	6.3921	0.7	6.3751	0.4	98.1
Portugal	(Es)	152.100	-0.8	040 - 160	153.450	151.730	152.475	-3.0	153.245	-3.0	156.65	-3.1	95.5
Spain	(Pta)	123.775	-0.645	750 - 800	124.120	123.600	124.17	-3.8	124.905	-3.7	128.385	-3.7	81.5
Sweden	(SKr)	6.7795	-0.029	747 - 843	6.8222	6.7595	6.7965	-3.0	6.826	-2.7	6.9635	-2.7	86.2
Switzerland	(SFr)	1.1890	-0.0102	885 - 894	1.1937	1.1850	1.1849	4.1	1.1778	3.8	1.1472	3.5	113.5
UK	(£)	1.5234	+0.0035	230 - 238	1.5252	1.5212	1.5225	0.7	1.5208	0.7	1.5135	0.6	82.8
Ecu	-	1.2558	+0.0065	554 - 561	1.2560	1.2529	1.2561	-0.3	1.2566	-0.2	1.2571	-0.1	-
SDR†	-	0.68533	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	1.0001	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9861	+0.0021	560 - 662	0.9862	0.9845	-	-	-	-	-	-	-
Canada	(C$)	1.3675	+0.0012	672 - 677	1.3691	1.3669	1.3673	0.1	1.3676	0.0	1.3704	-0.2	83.2
Mexico	(New Peso)	7.5850	-0.007	800 - 900	7.5950	7.5800	7.5873	-0.4	7.5904	-0.3	7.5953	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2922	-0.005	916 - 927	1.2996	1.2918	1.2942	-1.9	1.2977	-1.7	1.3164	-1.9	91.4
Hong Kong	(HK$)	7.7325	+0.0007	320 - 330	7.7333	7.7312	7.7332	-0.1	7.736	-0.1	7.762	-0.4	-
India	(Rs)	33.9155	+0.0105	100 - 210	34.0850	33.9100	34.0855	-5.3	34.3705	-5.4	35.6405	-5.7	-
Israel	(Shk)	3.0885	-0.0049	860 - 909	3.0919	3.0868	-	-	-	-	-	-	-
Japan	(Y)	105.300	-0.345	250 - 350	105.400	105.180	104.825	5.4	103.88	5.0	100.285	4.8	138.2
Malaysia	(M$)	2.5433	-0.0014	428 - 438	2.5486	2.5412	2.5442	-0.4	2.5503	-1.1	2.5735	-1.2	-
New Zealand	(NZ$)	1.4655	+0.0011	638 - 643	1.4672	1.4626	1.4686	-2.5	1.4734	-2.4	1.497	-2.3	-
Philippines	(Peso)	26.1850	-0.005	500 - 200	26.2200	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0002	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4068	-0.0014	063 - 073	1.4081	1.4060	1.4033	3.0	1.3973	2.7	1.3718	2.5	-
South Africa	(R)	3.9055	-0.0245	030 - 080	3.9400	3.8940	3.9343	-8.8	3.9857	-8.2	4.209	-7.3	-
South Korea	(Won)	780.250	-0.3	200 - 300	780.500	780.100	783.25	-4.6	786.75	-3.3	806.25	-3.2	-
Taiwan	(T$)	27.4995	-	990 - 000	27.5000	27.4980	27.5195	-0.9	27.5595	-0.9	-	-	-
Thailand	(Bt)	25.2300	-0.01	100 - 300	25.2320	25.2100	25.3187	-4.7	25.5225	-4.8	26.405	-4.7	-

† SDR rate per $ for Mar 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 12: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.79	18.66	4.862	2.101	5175	5.446	21.15	502.5	409.0	22.40	3.926	2.169	4.517	3.303	347.9	2.631
Denmark	(DKr)	53.21	10	8.880	2.587	1.118	2753	2.898	11.25	267.4	217.6	11.92	2.090	1.154	2.404	1.757	185.1	1.400
France	(FFr)	60.02	11.26	10	2.918	1.261	3106	3.268	12.70	301.6	245.5	13.45	2.357	1.302	2.711	1.982	208.8	1.579
Germany	(DM)	20.57	3.865	3.427	1	0.432	1064	1.120	4.351	103.3	84.12	4.607	0.808	0.446	0.929	0.679	71.54	0.541
Ireland	(I£)	47.59	8.945	7.929	2.314	1	2462	2.591	10.07	239.1	194.6	10.66	1.869	1.032	2.150	1.572	165.5	1.252
Italy	(L)	1.933	0.363	0.322	0.094	0.041	100.	0.105	0.409	9.711	7.904	0.433	0.076	0.042	0.087	0.064	6.723	0.051
Netherlands	(Fl)	18.36	3.451	3.060	0.893	0.386	950.2	1	3.885	92.27	75.11	4.114	0.721	0.398	0.830	0.607	63.88	0.483
Norway	(NKr)	47.27	8.885	7.877	2.299	0.993	2446	2.574	10	237.5	193.4	10.59	1.857	1.025	2.136	1.561	164.4	1.244
Portugal	(Es)	19.90	3.740	3.316	0.968	0.418	1030	1.084	4.210	100.	81.40	4.458	0.782	0.432	0.899	0.657	69.23	0.524
Spain	(Pta)	24.45	4.595	4.074	1.189	0.514	1265	1.331	5.172	122.9	100.	5.477	0.960	0.530	1.104	0.808	85.05	0.643
Sweden	(SKr)	44.64	8.389	7.438	2.170	0.938	2310	2.431	9.442	224.3	182.6	10	1.753	0.968	2.016	1.474	155.3	1.174
Switzerland	(SFr)	25.46	4.785	4.242	1.238	0.535	1318	1.387	5.386	127.9	104.1	5.704	1	0.552	1.150	0.841	88.57	0.670
UK	(£)	46.11	8.666	7.683	2.242	0.969	2386	2.511	9.754	231.7	188.6	10.33	1.811	1	2.083	1.523	160.4	1.213
Canada	(C$)	22.14	4.160	3.688	1.076	0.465	1145	1.205	4.682	111.2	90.54	4.959	0.869	0.480	1	0.731	77.00	0.582
US	($)	30.28	5.690	5.045	1.472	0.636	1567	1.649	6.404	152.1	123.8	6.783	1.189	0.657	1.368	1	105.3	0.796
Japan	(Y)	28.75	5.403	4.790	1.398	0.604	1488	1.565	6.081	144.5	117.6	6.440	1.129	0.623	1.299	0.950	100.	0.756
Ecu		38.01	7.144	6.334	1.848	0.799	1967	2.070	8.041	191.0	155.5	8.516	1.493	0.824	1.717	1.256	132.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6790	0.6788	+0.0001	0.6800	0.6780	15,217	38,853
Jun	0.6815	0.6824	+0.0004	0.6834	0.6812	31,032	41,025
Sep	0.6860	0.6862	+0.0006	0.6862	0.6853	258	2,024

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9511	0.9502	-0.0009	0.9521	0.9494	13,114	32,368
Jun	0.9626	0.9617	-0.0010	0.9636	0.9609	24,947	40,142
Sep	-	0.9737	-	-	-	57	1,150

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8380	0.8408	+0.0018	0.8430	0.8380	7,326	19,497
Jun	0.8462	0.8484	+0.0019	0.8510	0.8454	20,022	23,674
Sep	0.8560	0.8558	+0.0021	0.8569	0.8552	28	407

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5230	1.5224	-0.0016	1.5240	1.5202	8,091	30,377
Jun	1.5220	1.5194	-0.0020	1.5220	1.5162	17,212	31,150
Sep	-	1.5180	-	-	1.5160	18	24

UK INTEREST RATES

LONDON MONEY RATES

Mar 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5¼	6⅟₁₆ - 5⅞	6⅛ - 6	6³⁄₁₆ - 6⅟₁₆	6³⁄₁₆ - 6⅟₁₆	6⅜ - 6¼
Sterling CDs	-	-	6⅟₁₆ - 6	6⅟₁₆ - 6	6⅟₁₆ - 6	6¼ - 6³⁄₁₆
Treasury Bills	-	-	5¹⁵⁄₁₆ - 5⅞	5²⁹⁄₃₂ - 5²⁷⁄₃₂	-	-
Bank Bills	-	-	5¹⁵⁄₁₆ - 5⅞	5²⁹⁄₃₂ - 5²⁷⁄₃₂	6⅛ - 5¹⁵⁄₁₆	-
Local authority deps.	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6 - 5⅞	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅜ - 6¼
Discount Market deps	6 - 5½	6⅟₁₆ - 5¹⁵⁄₁₆	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Mar 8, 5.8079pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 29, 1996. Agreed rate for period Mar 26, 1996 to Apr 23, 1996, Schemes II & III 7.48pc. Reference rate for period Feb 1, 1996 to Feb 29, 1996, Schemes IV & V 6.238pc. Finance House Base Rate 6.5pc from March 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.87	93.86	-	93.89	93.85	7488	54230
Jun	93.94	93.97	+0.08	93.99	93.92	24039	74800
Sep	93.74	93.78	+0.08	93.84	93.71	28104	55485
Dec	93.38	93.46	+0.13	93.54	93.34	22489	47948
Mar	92.93	93.07	+0.17	93.14	92.90	6852	32242

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.12	0.29	0.34	0.01	0.07	0.31
9400	0.01	0.13	0.19	0.15	0.16	0.41
9425	0	0.04	0.11	0.39	0.32	0.58

Est. vol. total, Calls 6689 Puts 2527. Previous day's open int., Calls 183098 Puts 170425

EMS EUROPEAN CURRENCY UNIT RATES

Mar 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.036	-0.18	-2.13	5.45	15
Netherlands	2.15214	2.11732	-0.0033	-1.62	4.91	12
Belgium	39.3960	38.8819	-1.0698	-1.30	4.58	10
Austria	13.4383	13.3010	-0.0223	-1.02	4.28	7
Germany	1.91007	1.89124	-0.00239	-0.99	4.24	10
Portugal	195.792	195.563	-0.126	-0.12	3.34	1
Denmark	7.28580	7.30994	-0.00945	0.33	2.88	-2
France	6.40608	6.47829	-0.00596	1.13	2.07	-8
Ireland	0.792214	0.817691	+0.001774	3.22	0.00	-22
NON ERM MEMBERS						
Greece	292.867	309.978	+0.171	5.84	-2.48	-
Italy	2106.15	2007.89	+14.81	-4.67	8.27	-
UK	0.786652	0.843504	+0.00408	7.23	-3.74	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.500	2.17	2.51	2.90	0.05	0.36	0.86
1.510	1.23	1.81	2.31	0.11	0.68	1.22
1.520	0.48	1.22	1.76	0.22	1.06	1.66
1.530	0.14	0.77	1.20	0.45	1.61	2.22
1.540	-	0.45	0.94	0.65	2.29	2.80
1.550	-	0.24	0.65	1.48	3.02	3.50

Previous day's vol., Calls 10,712 Puts 9,889 . Prev. day's open int., Calls 189,922 Puts 205,734

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.62	94.62	-	94.62	94.61	32,401	278,174
Jun	94.58	94.59	+0.01	94.60	94.56	88,787	391,209
Sep	94.45	94.46	+0.02	94.48	94.41	120,489	327,852

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.08	95.10	+0.01	95.10	95.08	128	3,633
Jun	95.08	95.07	-0.02	95.07	95.05	435	6,865
Sep	94.92	94.92	+0.02	94.94	94.92	220	2,645

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9650	0.18	0.27	0.29	0.31	0.01	0.02	0.04	0.06
9675	0.02	0.09	0.11	0.14	0.10	0.09	0.11	0.14
9700	0	0.02	0.03	0.05	0.33	0.27	0.28	0.30

Est. vol. total, Calls 15735 Puts 20917. Previous day's open int., Calls 400216 Puts 374209

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9800	0.22	0.26	0.28	0.01	0.10	0.26
9825	0.03	0.12	0.14	0.07	0.19	0.39
9850	0.01	0.05	0.07	0.30	0.37	0.57

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9290 Puts 4574

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.25	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.25
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk.	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.25	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00		
Brit Bk of Mid East	6.00	Hongkong & Shanghai.	6.00		
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.25		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on ... ACT guidelines. 1995-96. ... preliminary figures. ... prospectus or other official estimates for 1995. s Dividend yield excludes a special payment. K Yield based on prospectus or other official estimates for 1996. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for ... v P/e ratios are calculated under new ...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2625. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's *share price pages for details.*

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4978 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing March 13

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management
73 Front Street, Hamilton, Bermuda

Orion Fund Limited
6 Front St, Hamilton, HM11, Bermuda 441 292 6370

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd

Butterfield Management Co Ltd

Orbis Investment Management Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mgmt (Guernsey) Ltd

Equitable International Fund Managers (Guernsey) Ltd

Lazard Frères Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Intl Currencies Fd Ltd

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Guernsey Inv Mngmt

Lloyds Bank Fund Managers (Guernsey) Ltd

Royal Bank of Canada Intl Money Market Fd

U.S. Advisors (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Coutts & Co Fund Managers Ireland Ltd

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dunedin Unit Trust Managers (Ireland) Ltd

The Fiduciary Trust Ireland Ltd

GAM Fund Management Ltd

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Lazard Fund Managers (Ireland) Ltd

Mercury Fund Managers (Ireland) Ltd

Pacific Value Management (Ireland) Ltd

Unit Trust Management (Ireland) Ltd

Citi Investment Fund (Ireland)

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Frank Russell Investments (Ireland) Ltd

Gartmore Fund Managers (Ireland) Ltd

Korea Fund

Scottish Amicable European Unit Fund Ltd

Sun Life Investment Fund - Protean (a)

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Argenta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asian Emerging Markets Fund Plc

Asian Growth Fund Plc

Atlantic Korean Smaller Companies Fund

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual Fund (Ireland) Ltd

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund Plc

Berkshire Invest (Ireland) Ltd

Celpius Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Yield Korea Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Bank of Ireland Asset Mngmt (IOM) Ltd

ISLE OF MAN (REGULATED)(**)

For ATC Fund Management see Sefires International

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

City Financial Admin (IoM) Ltd

Gartmore Intl Mngt (IoM) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers (Jersey) Ltd

John Govett (Channel Islands) Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Bank of Scotland Fund Mngrs (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (s)

Barclays International Fund Managers (Luxembourg)

Citibank S.A.

Fleming Group

Midland Intl Circuit Fund SICAV(s)

LUXEMBOURG (REGULATED)(**)

Alliance Capital

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Fleming Group (s)

Fidelity Funds (s)

All data supplied by ... Prices quoted in ... unless otherwise indicated

For Regent Global see Manulife Regent Global

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
Worldwide Limited				
NAV Feb 29	$79.66			-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	[illegible]			
Xiphias Int ECU Acc	Ecu17.4205			
Zanett Lombardier Ltd				
NAV Feb 7	$146.69			-
Zulauf Investment Management AG				
Zulauf Europe Ltd Mar 8	DM96.673			-
Zweig-DiMenna International Limited				
NAV Feb 29	$14376			-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(♣) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
k - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
e - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
GG - Guernsey Gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON STOCK EXCHANGE

MARKET REPORT

Firm gilts help to rebuild confidence in equities

By Steve Thompson,
UK Stock Market Editor

There was a much more confident feeling around European stock markets yesterday, especially in London, where share prices just about managed to close in the black after five consecutive sessions of losses.

But it was a close run thing, with Wall Street once again demonstrating its erratic nature and ability to shock, falling some 30 points early in the US trading session before stabilising and moving ahead shortly after London closed.

The FT-SE 100 index settled a net 0.8 higher at 3,640.3, having lost 136 points over the previous five trading days, mirroring the big slide on Wall Street.

The UK market's second liners continued to demonstrate their resilience, with the FT-SE Mid 250 index moving up 7.2 to 4,229.9.

Further convincing evidence that there are, as yet, few signs of emerging inflationary pressures helped to lift the gilts market, which in turn imparted growing confidence to equities.

An increase in UK unemployment, plus what were seen as encouraging average earnings numbers and unit wage costs, drove gilt-edged stocks sharply better in the morning, although the day's best levels were quickly lost as US bonds delivered another erratic performance.

The market has recently been dominated by the "big picture" led stories, so it was refreshing to see numerous individual stories take over the running.

The banks sector remained in the forefront of activity, with most of the individual stocks staging a recovery after the big losses of recent sessions. These were triggered by substantial weakness in global bond markets and, to a lesser extent, by worries about the intensification of the mortgage price war in the UK.

The sector provided yesterday's best individual Footsie performer in Standard Chartered – the bank's shares posted a near 4 per cent gain – and the third worst performer in HSBC, which dipped 2 per cent.

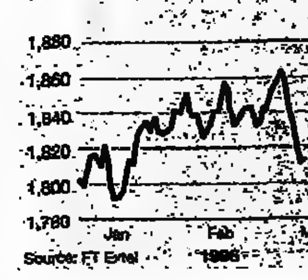
Both shares have been hounded by sellers worried about the impact of the recent heightened tension in the Far East after China's military manoeuvres off the coast of Taiwan.

Yesterday saw the share price diverge, with Standard Chartered responding strongly to buy recommendations from at least two of the market's top brokers, SBC Warburg and James Capel. And investment presentations by the bank to Scottish institutions earlier in the week was said to have promoted some keen buying interest via the bank's own broker, Cazenove.

Switching from HSBC, amid vague rumblings about losses in bond markets, also helped Standard move up at the former's expense.

BP, one of the UK market's star performers in the past two years, moved into top gear and the shares approached their all-time record after the company painted a bullish picture of prospects during a meeting with oil sector analysts. Some oil specialists warned, however, that much of the good news has already been factored into the price.

Turnover in equities reached 738.8m shares at the 6pm reading. Retail business on Monday was £1.68bn and on Tuesday £1.64bn.



Indices and ratios

FT-SE 100	3640.3	+0.8
FT-SE Mid 250	4229.9	+7.2
FT-SE-A 350	1831.3	+1.0
FT-SE-A All-Share	1811.24	+1.21
FT-SE-A All-Share yield	3.87	(3.87)
FT Ordinary index	2736.6	+6.7
FT-SE-A Non Fins p/e	16.93	(16.91)
FT-SE100 Fut Mar	3629.0	+1.0
10 yr Gilt yield	8.13	(8.18)
Long gilt/equity yld ratio:	2.19	(2.20)

Best performing sectors

1 Oil, Integrated .... +1.7
2 Electronic & Elec .... +1.2
3 Mineral Extraction .... +1.2
4 Media .... +0.9
5 Retailers, Food .... +0.8

Worst performing sectors

1 Tobacco .... -6.5
2 Pharmaceuticals .... -1.9
3 Consumer Goods .... -1.4
4 Extractive Inds .... -1.2
5 Leisure & Hotels .... -0.9

Tobacco fears hit BAT

BAT Industries, the insurance and tobacco conglomerate, saw its shares plunge 6.5 per cent on US tobacco worries.

Dealers said the heaviest volume for more than 2½ years was helped by a very big derivatives-related trade on Tuesday.

But the fall of 35 to 505p – which marked a slide of almost 65p in the past five trading days – was the result of a worrying article in the US press.

The Wall Street Journal reported that Liggett, a US tobacco group, had offered to settle a class action lawsuit brought against cigarette manufacturers which claimed nicotine is addictive. Analysts said this was the first time a tobacco group had settled out of court and it potentially opened a legal floodgate.

However, UBS said the move by Liggett was a way of encouraging a merger with KKR's tobacco arm and did not represent a weakening of will by tobacco groups. BAT claims the Liggett move will have no impact on its US business.

Bank boosted

Shares in Standard Chartered, the international banking group with an extensive presence in the Far East, ignored the pressure from tensions between China and Taiwan to rise 22 to 586p.

The advance in the shares, following a recent bout of profit-taking in the Footsie's stellar performer of 1995, was prompted by a strong buy note from BZW.

Banking analyst Mr Hugh Pye is out in Hong Kong talking about the bank's operations there and has reported back that all is going very well.

He said costs are being hammered lower, personal banking – which reported a 50 per cent profits rise last year – is still showing strong growth and the corporate banking side is also well in hand.

His colleague Mr Tim Sykes said yesterday: "We have stressed the strength of the fundamentals and the recent softness in the share price is an added bonus as it presents a buying opportunity."

The enthusiasm for Standard was in marked contrast to the weakness in HSBC, which is the other big banking stock heavily geared to the Far East.

HSBC shares slid 17 to 960½p, with some concern also developing over HSBC's exposure to bonds. SBC Warburg was said to be advising clients to switch holdings into Barclays, which rose 7 to 695p.

GEC advances

Management succession talk returned to electronics giant GEC. The shares, which surged from 300p to 381p between December and February on the back of hopes for a top boardroom appointment, put on 5 to 353½p in above average volume of 6.5m for a two-day gain of 10p.

GEC's timetable said that the announcement of a successor to Lord Weinstock would come in the spring. One leading analyst said yesterday: "The absence of leaks could suggest a deal has been done. This could be a very interesting situation".

Lonrho surged to fourth place in the FT-SE Mid 250 rankings on the news that South African mining monolith Anglo American had acquired 5.9 per cent of the international conglomerate.

"This gives Anglo a seat at Lonrho's mining demerger negotiations," said one leading Lonrho watcher. He added: "The betting must be that Anglo's intention not to buy more Lonrho shares is only a medium term strategy." Lonrho rose 8 to 203p in above average turnover of 9.5m.

The traditionally slick annual presentation from BP produced a sharp rise in the share price but divided views among oils specialists.

BP predicted 8 per cent compound growth over the next five years and income of £3bn by the end of the century.

Mr John Toalster of SGST, traditionally very cautious on the stock, turned buyer, citing "a very powerful and positive message on earnings and dividend prospects".

However, Merrill Lynch retained its neutral stance, arguing that in spite of a confident performance by management, "the shares stand on a prospective 1996 yield only in line with the market". The broker prefers Shell Transport, which rose 6 to 840p. BP added 14 at 545½p in 19m traded.

Yorkshire Water slipped 5 to 665p, following a 50p run-up over the past two weeks. However, some sector specialists are convinced that the group will announce a share buyback sooner rather than later.

A buyback of 10 per cent of the share capital is expected and could have the effect of increasing the dividend per share, assuming the company decided to hold the level of cash payout.

A strong sub-sector in recent months, bus groups continued to advance as talk concentrated on prospects for additional rail franchises.

British Rail is due shortly to announce the award of three more franchises, and both Stagecoach and National Express have been heavily tipped as potential winners.

Stagecoach, which has more than doubled in price since May last year, put on 16 at 430p. National Express, the day's second best FT-SE Mid 250 stock, jumped 25 to 493p.

Mobile phones group Vodafone moved ahead amid talk of strong new connection rates overseas. The group is also due to make a presentation to New York investors next week.

According to Henderson Crosthwaite, new connections outside the UK are running well in excess of domestic expansion, thanks to sharp growth in France and Australia. The shares moved forward 8½ to 249½p.

A buy note from ABN Amro Hoare Govett gave Securicor and Security Services a lift. The broker has reassessed the value of the companies' stakes in the Cellnet mobile phones system and concluded that the shares are up to 40 per cent undervalued.

Securicor "A" climbed 30 to 965p and Security Services, its 51 per cent owned subsidiary, gained 28 at 973p.

Cable and Wireless, hit by profit-taking on Tuesday, swung back into favour with a rise of 3 to 469p in 9.1m traded.

"The City's view of C&W has been shaken up by the group's attempt at a reverse takeover of BT," said one telecoms analyst. He added: "The group appears determined to pull off a partnership deal, but BT looks the really feasible outlet. The take-out price is anything between 500p and 600p."

Unilever's new management structure was given a warm welcome, the shares advancing 20 to 1228p in 3.9m traded. An add note from Merrill Lynch helped to push Cadbury Schweppes up 4 to 514p. United Biscuits lost 3 at 230p ahead of today's annual results.

Among drinks groups, Guinness firmed 10 to 464p following a positive change of stance by a leading drinks team.

Reed International, the publisher, put on 19 at 1057p on full-year figures above the range of analysts' forecasts. Cordiant, the advertising group, jumped 11 to 116p in reaction to well received figures on Tuesday. Panmure Gordon has a target of 146p on the share price.

Among builders, a maintained dividend from high yielder Heywood Williams sent the shares up 19 to 235p. Amey, which is to share in a £160m tram contract, continued to gain ground, adding 11 at 196p.

MARKET REPORTERS:
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Mar 13	Mar 12	Mar 11	Mar 8	Mar 7	Yr ago	*High	*Low
Ordinary Share	2736.6	2729.9	2748.9	2760.0	2794.1	2337.9	2807.9	2238.3
Ord. div. yield	3.95	3.96	3.94	3.91	3.85	4.53	4.73	3.76
P/E ratio net	16.50	16.46	16.56	16.65	16.84	16.28	21.33	15.35
P/E ratio nil	16.16	16.13	16.23	16.32	16.62	15.94	22.21	15.17

Ordinary Share index since compilation: high 2807.9 5/03/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2736.3	2734.6	2744.5	2740.9	2743.4	2741.8	2744.6	2748.7	2738.1	2748.7	2732.2

	Mar 13	Mar 12	Mar 11	Mar 8	Mar 7	Yr ago
SEAQ bargains	36,443	35,620	40,361	37,914	35,177	29,851
Equity turnover (£m)†	-	1641.5	1661.6	1998.2	2093.6	1927.3
Equity bargains†	-	40,674	45,241	41,760	41,261	41,709
Shares traded (ml)†	-	572.3	574.2	700.5	695.1	747.2

†Excluding intra-market business and overseas turnover.

	Mar 13	Mar 12	Mar 11	Mar 8	Mar 7	Yr ago	*High	*Low
FT-SE AIM	967.72	969.39	965.66	978.04	969.00	-	1064.62	965.66

*For 1995/96.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	657	Total Highs	89	Total contracts	47,393
Total Falls	691	Total Lows	34	Calls	18,498
Same	1,534			Puts	28,895

Mar.13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3645.0	3629.0	+1.0	3657.0	3625.0	19667	22049
Jun	3641.0	3626.5	+0.5	3654.0	3623.0	12270	46995
Sep	3647.0	3641.5	-0.5	3647.0	3647.0	3	2360

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4230.0	4232.0	+3.0	4232.0	4230.0	1622	2580
Jun	4248.0	4248.0	+2.0	4248.0	4248.0	1622	1800

FT-SE 100 INDEX OPTION (LIFFE) (*3642) £10 per full index point

	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P
Mar	192	1	142	1	92	2½	42	9½	11½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	192	21	142	30½	106½	42	76	60½	46½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	204½	33½	167½	46½	133	61½	169	81½	76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	226	53½	188	65	165	81	123½	98	97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†			269½	108			207	144½					[illegible]	[illegible]

Calls 6,233 Puts 7,237

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P
Mar	164½	1	105½	2	60	6	22	18	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	164½	25½	125½	36	91½	52	63	73	40½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	185	40	148½	52½	114½	68	88½	86½	59½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	209	60	175	75	142½	92	113	111½	86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept†			213½	101			158½	134½					[illegible]	[illegible]

Calls 3,307 Puts 10,568 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	51.8	527	488	BZW Eq (Smcos)	518		-	-	-	-
-	F.P.	1.65	2	2	†Capital & Westm	[illegible]					
-	F.P.	0.07	8½	3¼	Clubhaus Wts	[illegible]					
7.5	F.P.	14.7	9½	5¼	Clubhaus	[illegible]					
12	F.P.	53.2	16½	14	†Freepages	[illegible]					
-	F.P.	33.3	143	105	†IOC Intl	[illegible]					
100	F.P.	22.8	52	25	Life Offices PF	[illegible]					
-	F.P.	68.3	48	42	M & G Equity Inc	[illegible]					
-	F.P.	61.3	24½	20½	M & G Equity Cap	[illegible]					
-	F.P.	8.12	92	88	M & G Equity Div	[illegible]					
-	F.P.	15.2	71	68	†Optical Care (B)	[illegible]					
-	F.P.	193.6	250	241	Schroder UK G Uts	[illegible]					
175	F.P.	121.8	225	197	Shire Pharma	[illegible]					
120	F.P.	34.4	125	123	Stadium Group	[illegible]					
180	F.P.	108.5	188	175	Streamline	[illegible]					
195	F.P.	105.8	231	218	Visual Action	[illegible]					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Mar 12	% chg on day	Mar 11	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (35)	2254.76	+0.7	2238.33	1619.23	1.47	-	2808.73	1722.83
Regional Indices								
Africa (16)	3084.99	+2.5	3008.31	2745.12	2.74	38.37	3383.86	2272.74
Australasia (8)	2624.26	+2.3	2566.30	2018.07	2.40	39.41	2927.34	1986.82
North America (12)	1964.53	-0.4	1971.90	1513.98	0.69	59.27	2166.39	1486.94

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Mar 13	Day's chge%	Mar 12	Mar 11	Mar 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3640.3	.....	3639.5	3674.5	3710.3	3047.0	4.06	2.11	14.60	26.82	1465.66
FT-SE Mid 250	4229.9	+0.2	4222.7	4212.0	4252.7	3346.2	3.60	1.72	20.60	36.45	1661.47
FT-SE Mid 250 ex Inv Trusts	4261.7	+0.2	4254.0	4242.9	4277.7	3352.5	3.61	1.76	19.60	40.99	1696.51
FT-SE-A 350	1831.3	+0.1	1830.3	1849.0	1860.9	1514.3	3.94	2.03	15.62	14.19	1506.91
FT-SE-A 350 Higher Yield	1794.9	-0.5	1804.4	1820.8	1839.5	1531.5	4.95	1.89	13.39	14.16	1227.12
FT-SE-A 350 Lower Yield	1875.0	+0.7	1862.8	1871.5	1889.8	1496.6	2.91	2.28	18.83	14.28	1289.95
FT-SE SmallCap	2050.33	+0.2	2054.09	2044.23	2069.51	1694.15	3.07	1.60	22.59	7.88	1670.50
FT-SE SmallCap ex Inv Trusts	2046.92	+0.2	2041.97	2032.01	2053.85	1662.73	3.26	1.89	20.29	7.53	1669.99
FT-SE-A ALL-SHARE	1811.24	+0.1	1810.03	1820.93	1839.04	1496.24	3.87	2.02	16.01	13.48	1515.90

FT-SE Actuaries All-Share

	Mar 13	Day's chge%	Mar 12	Mar 11	Mar 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3264.94	+1.2	3227.09	3227.78	3260.69	2627.18	3.97	1.51	20.88	22.56	1383.47
12 Extractive Industries(6)	4147.32	-1.2	4196.03	4173.37	4194.53	3496.62	3.63	2.39	13.63	85.48	1213.62
15 Oil, Integrated(3)	3305.98	+1.7	3249.96	3254.18	3292.06	2627.40	4.18	1.36	22.11	10.24	1433.19
16 Oil Exploration & Prod(15)	2248.94	+0.4	2239.31	2240.99	2254.85	1871.00	2.16	1.41	40.69	0.00	1394.89
20 GEN INDUSTRIALS(275)	2064.89	+0.3	2057.75	2053.98	2063.92	1800.19	4.04	1.87	16.53	8.01	1113.06
21 Building & Construction(34)	1132.10	+0.4	1127.83	1120.20	1126.72	924.90	3.53	2.03	17.48	1.60	934.10
22 Building Matls & Merchs(29)	1887.80	-0.3	1892.76	1909.00	1910.54	1623.40	3.96	2.00	15.79	0.61	937.20
23 Chemicals(23)	2556.76	+0.7	2541.07	2530.79	2534.01	2152.82	3.91	1.99	16.03	23.93	1202.93
24 Diversified Industrials(21)	1773.17	-0.1	1775.54	1775.88	1772.87	1790.53	5.59	1.48	15.07	12.91	976.55
25 Electronic & Elect Equip(36)	2308.12	+1.2	2281.10	2260.38	2290.13	1897.20	3.10	1.82	22.00	2.76	1185.58
26 Engineering(70)	2332.22	+0.7	2315.93	2307.72	2328.28	1740.05	3.26	2.40	15.96	7.83	1400.72
27 Engineering, Vehicles(13)	2758.36	-0.2	2763.78	2745.18	2739.58	2143.39	3.82	1.86	19.71	0.23	1408.51
28 Paper, Pckg & Printing(26)	2699.36	+0.3	2690.15	2686.45	2726.52	2703.76	3.72	2.04	16.49	0.51	1107.45
29 Textiles & Apparel(19)	1480.73	-0.1	1482.53	1487.56	1501.53	1409.06	4.71	1.72	15.38	7.42	892.52
30 CONSUMER GOODS(91)	3453.17	-1.4	3501.86	3542.57	3570.70	2878.95	4.06	1.85	16.58	12.24	1257.22
32 Alcoholic Beverages(9)	2765.82	+0.4	2756.16	2783.07	2772.12	2549.17	4.40	1.67	17.04	28.48	988.53
33 Food Producers(23)	2541.93	+0.7	2523.83	2532.41	2534.95	2356.04	4.30	1.71	16.96	4.90	1129.48
34 Household Goods(15)	2436.10	-0.6	2450.42	2462.34	2496.42	2451.95	3.92	2.15	14.84	3.66	915.96
36 Health Care(20)	1924.67	+0.2	1920.93	1922.11	1952.80	1604.19	2.71	1.82	25.40	5.11	1156.60
37 Pharmaceuticals(13)	4824.26	-1.9	4918.06	4984.99	5061.23	3548.32	3.49	1.94	18.51	12.95	1615.29
38 Tobacco(1)	4273.56	-6.5	4570.04	4692.87	4718.28	3635.20	5.95	2.03	10.33	0.00	1033.90
40 SERVICES(253)	2350.54	+0.5	2338.50	2338.49	2356.10	1848.24	2.97	2.10	20.05	14.60	1212.20
41 Distributors(32)	2625.42	-0.2	2629.65	2620.61	2644.68	2265.74	3.74	1.84	18.16	7.45	958.23
42 Leisure & Hotels(23)	2913.07	-0.9	2940.49	2919.25	2927.00	2068.64	2.86	2.16	20.27	108.39	1551.31
43 Media(45)	3889.11	+0.9	3854.00	3843.88	3879.83	2744.31	2.21	2.10	26.97	15.54	1397.70
44 Retailers, Food(15)	1899.48	+0.8	1883.85	1892.53	1912.26	1810.00	3.85	2.40	13.51	2.91	1191.19
45 Retailers, General(43)	1948.76	+0.5	1939.90	1943.86	1954.58	1523.70	3.05	2.21	18.58	5.73	1101.86
47 Breweries, Pubs & Rest.(24)	2968.53	+0.4	2956.24	2966.66	2995.11	2108.44	3.33	2.08	18.02	15.93	1415.59
48 Support Services(40)	2091.25	+0.6	2079.72	2073.00	2101.49	1452.91	2.32	2.53	21.34	3.65	1318.34
49 Transport(21)	2374.87	+0.8	2356.12	2361.98	2385.74	2138.66	3.65	1.41	24.32	6.84	978.15
60 UTILITIES(33)	2440.83	+0.3	2434.27	2457.57	2452.76	2214.44	5.08	2.06	11.92	35.13	1035.76
62 Electricity(12)	2687.94	-0.3	2695.92	2701.32	2724.61	2130.75	5.17	2.60	9.31	137.11	1316.17
64 Gas Distribution(2)	1549.85	.....	1549.85	1558.84	1585.48	1899.19	7.78	1.37	11.62	0.00	777.58
66 Telecommunications(7)	2018.59	+0.7	2005.31	2035.19	2015.45	1920.96	4.18	1.76	17.02	0.15	913.74
68 Water(12)	2149.07	+0.3	2142.90	2163.65	2160.08	1720.03	5.68	2.59	8.49	3.61	1165.42
69 NON-FINANCIALS(686)	1935.64	+0.1	1933.51	1940.05	1961.66	1618.95	3.86	1.91	16.93	12.25	1452.88
70 FINANCIALS(108)	2743.84	-0.1	2747.13	2802.87	2875.69	2143.89	4.27	2.57	11.37	37.20	1173.53
71 Banks, Retail(8)	3768.72	+0.2	3759.96	3910.70	4029.19	2814.28	4.11	2.83	10.75	70.15	1228.66
72 Banks, Merchant(6)	3446.02	-0.6	3465.30	3450.85	3529.87	2978.36	2.84	2.33	18.99	4.52	1061.68
73 Insurance(24)	1342.46	-0.6	1350.52	1363.76	1401.09	1197.87	5.82	3.07	7.00	21.77	999.05
74 Life Assurance(6)	3534.20	-0.9	3565.13	3433.13	3523.85	2460.37	4.10	2.10	14.49	0.00	1439.84
77 Other Financial(23)	2492.44	-0.5	2504.51	2505.17	2545.08	1848.26	3.68	1.91	17.91	19.61	1405.33
79 Property(41)	1425.48	-0.4	1430.67	1434.09	1442.91	1361.89	4.39	1.30	21.95	4.11	866.93
80 INVESTMENT TRUSTS(126)	3052.48	.....	3053.21	3047.47	3113.12	2569.88	2.22	1.07	52.68	11.33	1080.19
89 FT-SE-A ALL-SHARE(900)	1811.24	+0.1	1810.03	1820.93	1839.04	1496.24	3.87	2.02	16.01	13.48	1515.90
FT-SE-A Fledgling	1149.53	+0.2	1147.51	1143.84	1158.88	949.24	2.97	2.18	19.30	4.77	1192.53
FT-SE-A Fledgling ex Inv Trusts	1154.63	+0.2	1151.97	1148.31	1163.05	947.15	3.24	2.35	18.45	4.98	1197.15

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3646.9	3640.3	3653.2	3648.0	3650.9	3647.7	3652.4	3657.3	3641.9	3661.2	3636.6
FT-SE Mid 250	4225.1	4222.7	4227.4	4226.6	4231.2	4231.4	4232.5	4238.2	4230.4	4238.4	4222.1
FT-SE-A 350	1833.4	1830.6	1836.1	1834.2	1835.6	1834.3	1836.3	1838.7	1831.9	1840.2	1829.1

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 13 / Sch)

BELGIUM/LUXEMBOURG (Mar 13 / Frs.)

CZECH REP (Mar 13 / Koruna)

DENMARK (Mar 13 / Kr)

FINLAND (Mar 13 / Mkk)

FRANCE (Mar 13 / Frs.)

GERMANY (Mar 13 / Dm.)

GREECE (Mar 13 / Drachma)

ITALY (Mar 13 / Lira)

NETHERLANDS (Mar 13 / Fls.)

NORWAY (Mar 13 / Kroner)

POLAND (Mar 13 / Zloty)

PORTUGAL (Mar 13 / Escudo)

SPAIN (Mar 13 / Pts.)

SWEDEN (Mar 13 / Kronor)

		+/-	High	Low	Yld	P/E
AGA A	98	—	104	87	2.3	...
AGA B	98	—	142.50	88.50	2.3	...
Asea A	688	—	710	454	1.7	...
Asea B	688	+1	707	445	1.7	...

SWITZERLAND (Mar 13 / Frs.)

TURKEY (Mar 13 / Tk Lira)

PACIFIC

JAPAN (Mar 13 / Yen)

HONG KONG (Mar 13 / H.K.$)

INDONESIA (Mar 13 / Rupiah)

MALAYSIA (Mar 13 / MYR)

NEW ZEALAND (Mar 13 / NZ $)

SINGAPORE (Mar 13 / S$)

SOUTH KOREA (Mar 13 / Won)

TAIWAN (Mar 13 / TW $)

THAILAND (Mar 13 / Baht)

AUSTRALIA (Mar 13 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Mar 13 / Can $)
4 pm close

MONTREAL (Mar 13 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Mar 13 / Rand)

INDICES

	Mar 13	Mar 12	Mar 11	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	15686.03	15887.01	18181.55	31/1/96	9831.59	9/3/95
Australia							
All Ordinaries(1/1/80)	2209.1	2228.5	2187.4	2323.40	4/3/96	1823.30	8/2/95
All Mining(1/1/80)	1018.4	1027.5	1009.0	1088.30	4/3/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	367.24	367.07	368.31	385.42	2/1/95	328.58	27/10/95
Traded Index(2/1/91)	1043.05	1038.08	1041.59	1094.98	7/2/95	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1700.85	1699.07	1728.67	1756.71	7/3/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	47394.0	47718.0	54109.00	2/2/96	21382.00	9/3/95
Canada							
Metals Minls♦(1975)	(u)	5361.97	5341.84	5381.97	12/3/96	3806.83	1/3/95
Composite♦(1975)	(u)	4936.20	4933.80	5059.59	14/2/96	3891.41	30/1/95
PortfolioSS(4/1/83)	(u)	2415.06	2412.36	2488.57	8/2/96	1953.38	30/1/95
Chile							
IGPA Gen(31/12/80)	(u)	5483.76	5485.51	6383.10	11/7/95	4576.58	9/3/95
Denmark							
CopenhagenSE(3/1/83)	381.75	381.32	380.23	391.35	13/2/96	330.81	29/3/95
Finland							
HEX General(28/12/90)	1852.92	1842.69	1822.76	2332.22	14/9/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1338.59	1330.24	1336.24	1372.31	4/3/96	1154.41	13/3/95
CAC 40(31/12/87)	1944.30	1932.07	1948.89	2024.09	1/2/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	860.11	865.83	855.83	886.12	5/3/96	708.87	30/3/95
Commerzbank(1/12/53)	2491.2	2506.8	2475.1	2584.16	5/3/96	2018.70	30/3/95
DAX(30/12/87)	2428.38	2435.97	2407.79	2501.22	1/3/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	994.67	996.98	1000.39	1017.56	4/3/96	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10249.48	10602.45	10397.45	11594.99	16/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3373.73	3299.90	3291.65	3932.09	2/1/95	2826.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	560.12	560.86	544.54	597.36	27/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2340.26	2324.52	2330.59	2398.79	7/3/96	1813.68	23/1/95
Italy							
Banca Comm Ital(1972)	591.00	590.80	587.64	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/96)	1002.0	1002.0	997.0	1082.00	9/2/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	19734.70	19950.27	19796.29	21118.30	8/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	284.54	286.67	284.48	307.98	5/1/96	222.28	13/6/95
Topix(4/1/68)	1524.12	1535.75	1525.48	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	1982.92	1979.65	1981.61	2138.88	4/1/95	1441.80	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1084.83	1089.94	1082.99	1126.14	6/3/96	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2819.91	2777.85	3101.52	2/2/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	565.5	561.4	558.8	571.79	7/3/96	422.90	23/3/95
CBS All Shr(End 83)	342.4	339.9	338.3	346.19	7/3/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2081.12	2102.45	2091.22	2208.02	20/10/95	1801.48	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1321.58	1317.82	1306.71	1323.95	5/3/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2789.92	2803.86	2810.65	2958.12	10/7/95	2186.48	20/11/95
Portugal							
BTA(1977)	2588.5	2586.5	2591.8	2811.80	9/1/95	2412.90	22/11/95
Singapore							
SES All-S'pore(2/4/75)	561.33	570.30	583.91	618.37	5/2/96	472.88	23/1/95
South Africa							
JSE Gold(28/9/78)	1774.1♥	1759.4	1716.0	2023.00	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8277.3♥	8272.8	8182.0	8739.30	25/1/96	6222.80	31/1/95
South Korea							
KoreaCompEx**(4/1/80)	838.92	844.42†	849.26	1027.37	2/1/95	838.92	13/3/96
Spain							
Madrid SE(30/12/85)	327.50	327.66	327.94	346.87	1/3/96	284.08	23/3/95
Sweden							
AffarsverldnGen(1/2/37)	1870.1	1860.4	1840.0	1902.80	4/3/96	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1699.31	1690.80	1671.85	1715.70	7/3/96	1174.83	13/3/95
SBC General(1/4/87)	1214.77	1208.19	1196.74	1218.60	7/3/96	870.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	4751.08	4692.40	4711.43	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1247.79	1266.55	1263.66	1472.94	10/7/95	1135.69	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	62165.3	61383.9	62851.8	66828.20	6/3/96	24644.30	23/1/95
WORLD							
MS Capital Intl$(1/1/70)	739.4*	740.4	740.1	761.16	23/2/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1576.49	1572.84	1582.57	1607.35	7/3/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1385.40	1382.70	1382.55	1416.64	1/3/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	360.59	354.80	382.52	19/2/96	282.07	23/1/95
ING Bmgs Emrg(7/1/92)	150.54	150.89	148.99	162.72	5/2/96	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Mar	1940.0	1945.0	+9.0	1964.0	1940.0	21,938	38,590
Apr	1943.0	1948.0	+8.5	1965.0	1943.0	558	5,860
DAX							
Mar	2430.0	2418.0	+3.0	2437.0	2415.0	31,392	–
Jun	2442.0	2429.5	+3.5	2451.0	2428.5	16,351	–
OMX							
Mar	1487.00	1474.00	+7.50	1494.00	1467.00	5,499	19,422
Apr	1475.00	1476.00	+14.00	1489.00	1467.00	1,362	2,616
SOFFEX							
Mar	3548.0	3551.0	+16.0	3571.0	3547.0	8,532	16,122
Apr	3550.0	3547.0	+15.0	3565.0	3545.0	4,554	10,523

** Sat Mar 9 : Taiwan Weighted Price 4809.51; Korea Comp Ex 863.63. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ IBIS/DAX after-hours index: Mar 13 – 2417.00 +1.71. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable.

† Correction. * Calculated at 15.00 GMT.

US INDICES

Dow Jones	Mar 12	Mar 11	Mar 8	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5583.89	5581.00	5470.45	5642.42 (5/3/96)	3832.08 (30/1/95)	5642.42 (5/3/96)	41.22 (2/7/32)
Home Bonds	103.78	103.93	104.25	108.09 (14/2/96)	93.63 (3/1/95)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2063.56	2086.25	2037.72	2111.37 (22/2/96)	1473.19 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	212.80	215.69	216.25	234.00 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5622.55 (5605.20) Low 5464.67 (5425.29) (Theoretical♦)
Day's high 5584.25 (5583.17) Low 5485.28 (5444.80) (Actual♦)

Standard and Poors	Mar 12	Mar 11	Mar 8	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	637.09	640.02	633.50	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	756.62	758.19	748.15	776.23 (22/2/96)	548.28 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	63.75	64.29	64.68	68.56 (5/3/96)	41.64 (3/1/95)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	341.39	342.75	338.74	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	558.17	561.38	558.16	570.31 (7/3/96)	433.12 (6/1/95)	570.31 (7/3/96)	29.31 (9/12/72)
NASDAQ Comp	1073.05	1080.50	1063.73	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Mar 8	Mar 1	Feb 23	Year ago
Dow Jones Ind. Div. Yield	2.18	2.15	2.12	2.70
	Mar 6	Feb 28	Feb 21	Year ago
S & P Ind. Div. yield	1.87	1.89	1.88	2.36
S & P Ind. P/E ratio	21.05	20.83	19.90	17.32

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Green Tree	7,410,700	33⅝	+⅛
Bader Intl	5,701,000	46	+⅞
Ford Motor	4,547,800	32⅝	+⅛
AT&T	4,199,200	62	—
IBM	4,191,200	114¼	–3
Compaq	4,169,000	37	–1¼
Micron	4,070,200	29¼	–¼
Gen Elec	4,031,100	75	–1½
Citicorp	4,005,800	75⅝	–1
Fed Nat Mtg	3,820,500	30⅛	–¾

■ TRADING ACTIVITY

● Volume (millions)

	Mar 12	Mar 11	Mar 8
New York SE	457.303	449.459	551.380
Amex	18.871	17.670	26.847
NASDAQ	471.790	471.076	596.123
NYSE			
Issues Traded	3,101	3,123	3,134
Rises	938	1,573	169
Falls	1,446	885	2,668
Unchanged	717	664	301
New Highs	60	49	34
New Lows	26	40	59

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	637.70	635.20	+0.40	639.00	635.20	29,333	73,881
Jun	641.40	643.50	+2.60	645.20	640.85	125,734	153,714

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Jun	19870.0	19780.0	–170.0	19910.0	19600.0	47,698	241,545
Sep	19990.0	19750.0	–300.0	19990.0	19750.0	1,018	9,880

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 13, 1996

	Stocks Traded	Closing Prices	Change on day
Nomura Secs	12.4m	2140	-10
Shinko Electric	9.5m	920	-34
Pacific Metals	8.5m	730	-5
Toyota Motor	8.0m	2210	-10
Nippon Stl Cp	6.7m	336	-4
Dai Nippon Prnt	6.5m	1850	-30
Yasuda F & M Ins	6.3m	733	-8
Nissan Motor	6.3m	803	+2
Ricoh Co	6.2m	1100	-30
Teijin	5.9m	542	-3

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. ‡ Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all. † Priced in US $.

4 pm close March 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¼	12¼	AAR	0.48	2.4	24	148	20⅞	20¼	20½	+⅛
48¼	35	AMP	1.00	2.4	21	4007	42¾	42	42¼	-⅛
92⅞	53⅛	AMR			37	11655	u92⅞	90⅛	92	+1⅜
50½	36¾	ASA	2.00	4.4	29	520	45¼	44½	45	+⅛
44¾	30¾	AbbotL	0.96	2.3	19	7281	42¼	41½	41⅝	-⅛
18⅞	12	Abitibi Pr x	0.40	2.8	7	1025	14¼	14	14⅛	+¼
30⅝	21	ABM Ind	0.70	2.3	16	39	30⅜	30	30¼	+¼
17½	13⅛	Acptocain			52	405	14¾	14½	14¾	+⅜
50⅛	21⅞	ACE Ltd	0.56	1.2	10	1240	45¼	44⅛	44⅞	+⅞
9⅞	8⅛	ACM Gvt In x	0.90	9.5	8	58	9⅝	9½	9½	
7⅞	6½	ACM GvOpp x	0.66	8.1		127	7⅜	7¼	7¼	
7½	5¾	ACM Gvt Sp x	0.75	11.1		313	6⅞	6¾	6¾	-⅛
9⅛	7¼	ACM Gvt Se x	0.80	10.4		479	8⅝	8½	8⅝	+⅛
9½	7⅞	ACM Man x	0.90	9.7		219	9⅜	9¼	9¼	
31¼	10¼	AcmeCh	0.52	1.7	7	651	30⅞	30½	30⅝	+⅛
38¼	6⅛	Acme Elect			53	78	8⅜	8¼	6⅜	
34½	23¾	Acordia	0.72	2.5	15	19	29¼	28¾	29¼	+½
16¾	10⅛	Acuson			45	265	14⅞	14½	14⅝	-¼
19⅝	15⅝	Adams Expr	0.36	1.9	0	406	19⅛	18⅞	19	
38⅞	16⅛	AdvMic			6	8793	18	17¼	17¼	
10¼	5	Advest Grp	0.16	1.7	9	29	9⅝	9½	9½	-⅛
27½	11⅞	Advo Inc	0.10	0.8	12	1311	12⅛	12	12⅛	+⅛
48¾	24.80	Aegon	1.28	3.0	16	246	42⅞	42⅜	42⅝	
5⅞	3⅜	Aeroflex			8	115	4⅝	4½	4½	
78¼	46¾	AetnaL	2.76	3.8	36	2989	76¼	74⅞	75¾	+½
49½	31⅞	Aflac	0.52	1.1	13	1085	47	46¼	46⅝	-⅛
28⅜	16	Ahmanson	0.88	3.6	7	6120	24½	23⅞	24⅜	+⅝
59½	43⅞	AirPrC	1.04	1.8	17	2998	56¼	55	56¼	+1⅜
29½	18⅞	Airbne Frt	0.30	1.1	25	344	26¾	26½	26½	-⅛
33½	19⅝	Airgas Inc			33	418	38⅞	37¾	38⅜	+⅞
18⅜	13⅛	Airlease	2.00	11.0	12	41	18¼	17⅞	18¼	+¼
35⅝	24	AirTch			108	6742	29⅞	29¼	29¼	-⅞
24⅝	13½	Alaska Air	0.20	0.8	19	2762	u24⅝	24½	24½	+¼
26½	17⅛	Albany Int x	0.40	2.1	13	892	19⅝	19½	19½	
21⅞	12¼	Albertl x	0.22	1.0	18	2089	u21⅞	21⅝	21¾	+⅛
39⅞	25⅞	AlbCulB	0.36	0.9	20	207	38⅜	37⅞	38	+⅛
36	23	AlCulbr A	0.36	1.0	17	210	35¼	34⅞	35	+⅜

Continued on next page

هكذا من الأصل

4 pm close March 13

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
11¼	5⅞	SchawkA	0.26	2.9	30	43	9	8⅞	8⅞	
60¼	37¼	ScheringP			22	1164	43⅝	43⅛	43½	+⅜
62	35½	SchrPl	1.16	2.0	24	9943	59½	57⅞	58¼	-1½
79	50⅛	Schlmb	1.50	1.9	28	8307	u79	75⅝	78	+3½
29	11¼	Schwab(C)	0.16	0.7	24	2235	24⅝	24⅛	24⅛	-½
[illegible]										

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
52½	39¾	Xtra Corp	0.72	1.7	13	177	43¾	43½	43⅝	+¼
25¾	19½	Yankee Egy x	1.28	5.7	15	63	22¼	22	22¼	+⅛
49	34⅛	York Int	0.24	0.5	20	402	47⅝	46⅝	47⅝	+⅝
4½	2½	Zapata	0.14	4.1	5	261	3⅝	3⅝	3⅝	
12⅛	5⅞	ZenithE			3	446	7	6¾	6⅞	+⅛
24⅞	19⅝	Zenith Nat	1.00	4.2	65	41	23⅝	23⅝	23⅝	
7⅛	6⅛	Zenix Inc	0.72	10.7		30	6¾	6¾	6¾	
18¼	12⅞	Zero	0.44	2.5	17	78	u18¼	17⅞	17⅞	+⅛
26	16⅞	Zion Ind	0.40	2.0	15	574	20⅛	19¾	20⅛	+¼
11½	10¼	Zweig Fund	1.12	10.2		111	11⅛	11	11	
9	7⅞	Zweig Totl x	0.84	9.5		224	8⅞	8¾	8⅞	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

FT Free Annual Reports Service
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3166. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

NASDAQ NATIONAL MARKET

4 pm close March 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close March 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Nasdaq climbs despite soft book-to-bill ratio

Wall Street

Technology shares jumped in early trading yesterday, while action in other sectors was subdued as investors awaited inflation data due out today and tomorrow, writes Lisa Bransten in New York.

At 1 pm, the technology-rich Nasdaq composite index had shot up 14.39 to 1,087.43, in spite of a sign of weak demand in the semiconductor industry. The Pacific Stock Exchange technology index was 1.7 per cent stronger.

Late on Tuesday, the Semiconductor Industry Association said that its book-to-bill ratio – the ratio of orders booked to orders shipped – fell to its lowest level for five years in February.

Micron Technology slipped $⅝ to $29⅛. But other chip companies, most of which had tumbled since early last autumn on fears of weakening demand in the sector, were generally stronger. Intel added $1⅞ at $56⅝, Applied Materials was $1¼ stronger at $33⅞ and LSI Logic rose $1 to $26⅞.

Companies involved in the Internet continued to move ahead. Microsoft rose $4⅛ to $99⅞ and America Online added $3 to the $7⅛ it climbed on Tuesday, bringing the shares to $58⅛. The companies announced an alliance on Tuesday under which AOL would allow the use of Microsoft's Internet browser and Microsoft would include AOL in its software packages.

But the strength in technology did spill over on to the broader indices. The Dow Jones Industrial Average fell 14.81 to 5,569.08 at 1 pm, while the Standard & Poor's 500 added 1.63 at 638.72. The American Stock Exchange composite put on 0.25 at 559.42. NYSE volume was 241m shares.

One factor behind the Dow's poor performance was a decline in Philip Morris, which was hurt by uncertainty over the possibility that Liggett Group – one of the five tobacco companies involved in a number of smoking suits – would settle. Shares in the biggest tobacco company in the US were $2⅞ lower at $98½.

Meanwhile, Brooke Group, which owns Liggett and is controlled by the corporate raider Mr Bennett LeBow, jumped $1½ or 18 per cent to $9⅞ on speculation that the settlement would improve Mr LeBow's chances of succeeding in his effort to take control of RJR's tobacco unit.

Toys 'R' Us added $1¼ or 5 per cent at $27¼ after the retailer reported operating earnings of $1.32 a share, 2 cents ahead of estimates.

Canada

Toronto edged lower at midsession as analysts warned that the market could become volatile ahead of tomorrow's triple-witching expiry of options, futures and options on futures.

The TSE 300 composite index was 8.92 weaker by midday at 4,927.30 in volume of 34.4m shares.

In the golds sector, Greenstone Resources rose C$⅝ to C$8⅝, but Barrick Gold fell C$¼ to C$39.

SOUTH AFRICA

Johannesburg came off earlier highs to close mixed after the 1996-97 budget speech; early strength in golds came to an abrupt halt when the rand began to appreciate strongly.

Analysts noted that property shares, in particular, were marked lower following the unexpected imposition of a 17 per cent tax on rental income of retirement funds. Overall, however, they believed that the equity market should enjoy a net benefit from what was broadly viewed as a business-friendly budget.

The overall index ended 0.8 up at 6,662.1, industrials gained 4.5 at 8,277.3 and golds rose 14.7 to 1,774.1. De Beers declined R1.50 to R123.75.

Mexico ahead although rates rise

Mexico City traded 1 per cent higher at midsession following Tuesday's rise in interest rates, which proved smaller than many analysts had been expecting.

The IPC index gained 28.50 at 2,848.41 after the bellwether 28-day *Cetes* rate was raised by 76 basis points to 43.03 per cent at Tuesday's auction, below earlier expectations of an increase of more than 100 basis points.

Analysts warned that the market looked ripe for profit-taking after the previous two-day rise.

SAO PAULO moved ahead on positive sentiment stemming from Wall Street's recovery late on Tuesday, and expectations of a Lower House vote later in the day on the government's patents bill.

The Bovespa index was standing 493.83 higher by midsession at 47,888.

The market was also assessing news that Deutsche Morgan Grenfell had raised by 3 percentage points to 40 per cent its overweight position in Brazilian stocks. But the broker said it was adding to Brazil more out of trading opportunism than fundamental conviction.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Mar. 8 1996	% Change over week	% Change on Dec '95	Local currency terms Mar. 8 1996	% Change over week	% Change on Dec '95
Latin America	(248)	473.23	-4.9	+0.3			
Argentina	(31)	786.18	-2.8	-1.6	483,489.59	-2.8	-1.6
Brazil	(68)	323.50	-6.8	+6.0	1,190.41	-6.9	+7.2
Chile	(43)	694.91	-3.6	-7.2	1,144.56	-3.7	-6.2
Colombia[1]	(15)	584.30	-4.7	-2.3	1,078.72	-4.6	+2.8
Mexico	(65)	453.70	-4.7	+0.1	1,485.89	-4.7	-1.3
Peru[2]	(21)	196.93	-4.7	-0.2	284.02	-4.6	+2.3
Venezuela[3]	(5)	337.81	+0.6	+1.0	3,918.19	+6.7	+50.1
Asia	(831)	251.38	+0.1	+8.3			
China[4]	(23)	60.59	+0.2	+12.0	63.65	+0.2	+12.0
South Korea[5]	(145)	121.50	+0.4	-3.5	124.21	-0.3	-3.3
Philippines	(35)	279.05	-3.1	+7.5	352.80	-3.2	+7.3
Taiwan, China[6]	(83)	105.41	-1.3	-6.5	108.84	-1.3	-5.8
India[7]	(76)	92.45	+0.3	+15.0	111.81	-1.1	+11.4
Indonesia[8]	(44)	117.33	-4.6	+7.0	148.12	-4.2	+8.7
Malaysia	(123)	305.67	+2.2	+12.7	286.74	+2.1	+12.8
Pakistan[9]	(25)	286.16	-1.0	+17.9	447.37	-0.9	+18.7
Sri Lanka[10]	(5)	125.50	+3.7	+20.5	146.06	+3.7	+20.8
Thailand	(72)	380.90	-1.2	+1.3	381.43	-1.2	+1.5
Euro/Mid East	(238)	151.29	-0.4	+6.6			
Greece	(47)	260.64	-2.1	+7.9	427.84	-2.0	+10.5
Hungary[11]	(8)	148.01	+1.6	+50.4	253.60	+1.5	+56.7
Jordan	(8)	181.63	-1.0	-1.7	271.05	-1.0	-1.7
Poland[12]	(22)	641.90	+8.3	+50.6	1,039.31	+8.5	+57.0
Portugal	(26)	120.66	-1.2	-4.3	127.67	-0.7	+7.4
South Africa[13]	(63)	256.02	+0.5	-0.8	207.61	+0.3	+6.9
Turkey[14]	(54)	157.82	-0.9	+51.0	5,035.13	+0.7	+66.4
Zimbabwe[15]	(5)	323.79	-0.3	+17.9	452.28	-0.3	+20.0
Composite	(1117)	290.20	-1.6	+5.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

International investors are being urged to look beyond the current period of intense and bloody terrorism afflicting Israel in the run-up to the May elections and to reassess the Tel Aviv market, writes Michael Morgan.

In a report this week, Salomon Brothers argues that with its affluence and growth, and buoyed by favourable domestic funds flows, Tel Aviv offers strong prospects for 1996 and beyond. The US investment bank says average company earnings could increase by 14 to 17 per cent this year, assuming that currently high real interest rates are moderated. Yet, says Salomon, international investors' transactions represent little more than 10 per cent of the market's trading volume and Israel represents well below 1 per cent of the portfolios of most emerging markets funds, compared with a neutral weighting of 2.6 per cent.

Ms Barbara Insel, Salomon's European emerging markets equity research co-ordinator, argues that to be a disincentive to investment, investors would have to believe that the current terror campaign had something to do with long term investment prospects. "But they are not related," she adds. Instead, Salomon notes that over the past decade Israel has developed a solid record as an economy displaying high growth, high savings and moderate inflation, comparable to Asia's Tiger economies.

EUROPE

Zurich merger mania begins to clear

Some clarification emerged in ZURICH after the merger mania which had driven the market since last week's Ciba-Sandoz deal. The SMI index rose 17.8 to 3,558.3, supported by firming bond futures.

One rumour that Mr Georges Blum, SBC's chief executive, endeavoured to put to rest was that the bank sought a merger with Zurich Insurance. The latter, firmer in recent sessions, retreated SFr7 to SFr345, while SBC, which also announced 1995 earnings in line with expectations, edged SFr1 higher to SFr462.

UBS bearers climbed SFr14 to SFr1,314 after Mr Mathis Cabiallavetta, the new chief executive, said he hoped that the current stand-off between the bank and its long time critic and shareholder Mr Martin Ebner could be resolved in a businesslike manner.

Alusuisse returned to favour, appreciating SFr27 to SFr992, while among the pharmaceuticals stocks, Ems added SFr80 at SFr5,590.

FRANKFURT had the chemicals season to boost turnover, and some speculative interest among share price winners.

Hoechst offered an 85 per cent increase in profits and a 30 per cent lift in dividend but the shares closed DM6.85 lower at DM465.65 ahead of today's analysts' conference. This was the dividend season, said observers; and BASF, with a 40 per cent rise in its payment, was yielding more than 5 per cent to German investors, even after another DM6.10 rise to DM388.60.

Among the big share winners, SAP prefs climbed DM10 or 4.9 per cent to DM214 on the computer software group's Internet co-operation agreement with Microsoft, of the US. Mr Hans-Peter Wodniok of Crédit Lyonnais in Frankfurt said that any deal that brought in Mr Bill Gates, Microsoft's chairman and chief executive, would have been good for a Continental high-tech stock.

Turnover fell to DM8.6bn from DM10bn, and the Dax index finished near to its low for the day, just 1.71 higher at an Ibis-indicated 2,417.00.

In retailing, Kaufhof and Asko rose DM18.60 to DM476.60 and DM24 to DM780 ahead of today's long-awaited merger terms with Metro's cash and carry operation – long awaited, but not necessarily expected to be bountiful where outside shareholders were concerned. Here again, turnover was low, and the move looked speculative.

MILAN finished flat as early gains were pared and the lira moved lower throughout the day. The Comit index edged 0.20 higher to 591.00, while the real-time Mibtel index finished 5 ahead at 9,417.

FT-SE Actuaries Share Indices

Mar 13								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1575.30	1574.18	1572.76	1573.31	1573.55	1575.74	1577.91	1576.48
FT-SE Eurotrack 200	1647.08	1645.36	1644.42	1645.23	1644.50	1647.35	1648.57	1646.56
	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6			
FT-SE Eurotrack 100	1572.85	1582.57	1587.72	1607.55	1596.63			
FT-SE Eurotrack 200	1643.53	1642.34	1662.90	1684.53	1669.80			

Base value 1000 (26/10/90); High/day: 100 - 1578.15; 200 - 1650.34 Low/day: 100 - 1572.19 200 - 1643.28. † Partial.

Telecom Italia Mobile lost L24 to L2,762, but was up from a day's low of L2,715, as satisfaction with strong second-half profits growth vied with worries about growing competition from its rival, the Olivetti controlled Omnitel. Olivetti fell another L27 to L770.3 as worries over the price war in the personal computer market outweighed news that the company had finally won agreement to use Tim's mobile telephone network.

IMA, which makes machines for the packaging industry, jumped L527 to L13,160 as Chase Nominees, a Chase Manhattan Bank group trust, revealed that it held 10.5 per cent of the equity on behalf of foreign institutional investors.

However, Mr Roberto Bogoni at Merrill Lynch, who initiated coverage on the company this week, said that, in spite of the quality of the stock, he believed that the market price was already discounting the company's good growth opportunities. Merrill's various valuation measures pointed to a fair price of about L11,300.

Shares in SME, the supermarket group, were suspended by the Consob market regulator on news that the owners of a 60 per cent majority stake planned to launch a public offer for the remaining stock.

PARIS closed off its best, the CAC-40 index ending 12.23 or 0.6 per cent ahead at 1,944.30 in turnover of FFr4.37bn.

Lafarge responded more positively to Monday's good results. Boosted by Morgan Stanley, which raised its recommendation for the building materials group to "strong buy" from "market outperformer", the shares moved ahead FFr12.10 to FFr349.30. Saint-Louis, the papermaker, rose FFr22 to FFr1,465 after slightly better 1995 results, and a drop of FFr33 on Tuesday.

Bonds closed better and financials saw the benefit, including Paribas which rose FFr5.10 to FFr281.10 after Framatome, the nuclear group, decided to accept its bid for Navigation Mixte. Mixte itself fell FFr17 to FFr802, closer to the bid level of FFr800.

AMSTERDAM lifted Elsevier by 20 cents to Fl 23.70 on results above analysts' expectations, but it was more keen on the Heineken figures tomorrow. The brewer rose another Fl 4.50 to FL325.50, and the AEX index by 4.17 to 514.34.

COPENHAGEN was depressed by Novo Nordisk, down DKr21 at DKr744 on results below market expectations. The KFX index slipped 0.30 to 109.72.

Interest rate cuts got a varied reception. MADRID, out of phase after last week's indecisive election result, saw the general index dip 0.16 to 327.50, while HELSINKI showed some appreciation, with the Hex index gaining 10.24 at 1,852.92. Against the broad market trend in Finland, the sporting goods group Amer dropped FM8 or more than 10 per cent to FM67 after controlling shareholders abandoned talks with a potential buyer, and dispelled takeover hopes.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei off, Taiwan escapes regional downtrend

Tokyo

Mounting uncertainty over the government's liquidation plan for the country's housing loan companies pushed the Nikkei average down 1.1 per cent to a year's low, writes Emiko Terazono in Tokyo.

The 225 index lost 215.57 at 19,734.70 after touching extremes of 19,627.57 and 19,932.03. Rising pessimism over the passage of the budget bill, which includes the bailout of the ailing housing loan companies, weighed on futures prices, prompting arbitrage unwinding. Meanwhile, poor semiconductor demand figures in the US depressed high-technology issues.

Volume came to 430m shares, against 339.4m. The Topix index of all first section stocks fell 11.64 to 1,524.12 and the Nikkei 300 2.13 to 284.54. Declines led advances by 819 to 236, with 137 issues unchanged.

In London the ISE/Nikkei 50 index gained 2.07 at 1,329.67.

The book-to-bill ratio for February brought active overseas selling of electricals. Hitachi retreated Y15 to Y995 and Toshiba Y10 to Y760. Semiconductor related stocks were also lower, with Canon Y40 cheaper at Y1,820 and Kyocera Y10 off at Y6,800.

Hokuriku Seiyaku, a drugs company based in western Japan, jumped Y180 to Y1,990 on speculation that BASF, of Germany, was looking to acquire its shares. BASF said this week that it would establish a Japanese subsidiary through an acquisition and would try to gain 1 per cent of the country's drugs market.

Rumours that the company would be bought by a foreign concern has been circulating among investors for some time, and analysts noted that Hokuriku, which last year posted sales of Y15.7bn, had been indicating that it would increase its sales to Y50bn, or 1 per cent of the drugs market, in 10 years.

"With its current R & D line-up, it is almost impossible to achieve Y50bn in sales by itself," said Mr Yasuhiro Nakazawa, an analyst at Nikko Research Center.

Profit-taking hit steels and shipbuilders. Nippon Steel shed Y4 to Y336 and Kawasaki Steel Y4 to Y352. Hitachi Zosen dipped Y3 to Y520.

In Osaka, the OSE average declined 204.39 to 20,960.74 in volume of 278.4m shares.

Roundup

Wall Street's intra-day recovery on Tuesday merely emphasised its extreme volatility, said markets around the China seas; and rising military tensions in the Taiwan Strait, ironically, left only the centre of the tensions untouched yesterday.

HONG KONG took a 3.3 per cent dive on the Taiwan situation and US interest rate worries, the Hang Seng index ending 352.97 lower at 10,249.48 as turnover fell by nearly HK$1bn to HK$5.29bn. Among blue chips, HSBC, the most actively traded, slid HK$5 to HK$112.

SINGAPORE dealers, too, said that key index stocks, led by bank and property shares, bore the brunt of the sales as the Straits Times Industrial index dropped 53.19 or 2.3 per cent to 2,300.73 in an estimated 119.15m shares traded. KUALA LUMPUR told the same story, although dealers said that investors were using the China/Taiwan crisis as an excuse to sell as the KLSE composite index finished 15.11 or 1.4 per cent down at 1,084.83.

BANGKOK said that the Taiwan tension kept foreign investors away, and made locals nervous as the SET index receded 18.76 to 1,247.79 in turnover of Bt4.9bn. MANILA took the same line, saying that the crisis was a pretext to sell following a three-month uptrend. Here, the composite index lost 33.94 or 1.2 per cent at 2,769.92.

WELLINGTON had its own woes with a 12 per cent nose-dive in Fletcher Challenge, 54 cents down at NZ$3.06, ahead of Thursday's unbundling of the group into separately quoted paper, building and energy companies. The NZSE-40 index slipped 21.33 to 2,061.12.

SEOUL was dragged down to a new 27-month low by major blue chip Samsung Electronics, the world's leading memory chip manufacturer, which slid Won5,500 or 5.9 per cent to Won87,500 after another weak book-to-bill ratio for the semiconductor industry. The composite index fell 5.50 to 838.92.

TAIPEI heard that a further T$150bn was moving into the T$200bn stabilisation fund of which, officials estimated, T$40bn had been used to date. Dealers discounted the test firing of a fourth ballistic missile by China, and left the weighted index up 58.68 or 1.25 per cent at 4,751.08.

BOMBAY led a positive day on the Indian sub-continent, the BSE 30 index advancing 73.83 or 2.2 per cent to 3,873.73. Brokers said that the buying was led by US funds, and one trader commented that it was "a big surprise".

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY MARCH 12 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 11 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	196.74	2.3	191.90	131.38	151.43	163.74	1.9	4.03	192.39	187.14	123.11	148.26	[illegible]	[illegible]	155.79	161.45
Austria (26)	179.50	-0.6	175.09	119.87	138.16	138.01	-0.7	1.65	180.64	175.77	123.29	[illegible]	[illegible]	[illegible]	162.11	187.35
Belgium (33)	207.93	-1.1	202.81	138.95	160.04	156.10	-1.3	3.46	210.35	204.61	140.37	[illegible]	[illegible]	[illegible]	172.97	172.97
Brazil (28)	148.46	-0.2	144.80	99.14	114.26	268.89	-0.2	1.60	148.74	144.68	99.94	[illegible]	[illegible]	[illegible]	154.39	105.53
Canada (101)	155.42	0.4	151.59	102.79	119.62	153.76	0.3	2.45	154.81	150.59	103.09	[illegible]	[illegible]	[illegible]	125.56	128.36
Denmark (33)	293.66	0.7	286.44	196.11	226.03	228.40	0.5	1.67	291.72	283.76	194.26	[illegible]	[illegible]	[illegible]	252.41	256.42
Finland (24)	184.12	1.8	179.59	122.85	141.72	177.50	1.4	2.62	180.88	175.94	120.45	[illegible]	[illegible]	[illegible]	171.13	179.56
France (98)	183.87	-0.3	179.35	122.79	141.52	146.17	-0.5	3.14	184.46	179.43	122.82	[illegible]	[illegible]	[illegible]	161.53	162.74
Germany (60)	169.06	1.1	164.90	112.90	130.12	130.12	1.0	1.88	157.23	152.57	111.26	[illegible]	[illegible]	[illegible]	142.25	147.84
Hong Kong (53)	415.45	2.2	405.23	277.44	319.77	412.40	2.2	3.47	405.49	335.45	273.98	[illegible]	[illegible]	[illegible]	323.97	325.22
Ireland (16)	255.16	-0.4	243.89	170.40	196.40	229.60	-0.2	3.49	256.09	249.11	170.53	[illegible]	[illegible]	[illegible]	206.44	205.55
Italy (59)	73.72	-0.1	71.90	49.23	56.74	85.88	-0.3	1.76	73.76	71.75	49.12	[illegible]	[illegible]	[illegible]	55.45	73.08
Japan (482)	146.45	0.4	142.85	97.80	112.72	97.80	0.7	0.78	145.87	141.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	145.47
Malaysia (107)	531.56	1.2	518.28	354.84	408.92	520.76	1.3	1.64	525.26	510.94	349.77	[illegible]	[illegible]	[illegible]	425.77	465.34
Mexico (18)	1072.61	1.4	1046.21	716.28	825.58	3903.43	0.9	1.56	1052.15	1023.28	704.62	[illegible]	[illegible]	[illegible]	661.51	748.60
Netherland (19)	275.74	0.5	268.95	184.14	212.23	208.62	0.4	3.31	274.35	[illegible]	182.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (13)	80.97	1.6	78.98	54.07	62.32	62.88	0.9	4.74	79.71	77.53	53.02	[illegible]	[illegible]	[illegible]	[illegible]	72.64
Norway (33)	236.59	0.5	230.76	157.99	182.10	206.71	0.4	2.42	235.31	228.89	156.69	[illegible]	[illegible]	[illegible]	[illegible]	203.50
Singapore (44)	430.62	3.3	420.02	287.57	331.44	279.45	3.4	1.43	416.91	405.54	277.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (45)	385.58	2.7	376.09	257.49	296.78	331.20	2.5	3.13	375.42	365.18	249.99	[illegible]	[illegible]	[illegible]	326.57	[illegible]
Spain (37)	165.09	-0.1	161.02	110.24	127.07	155.61	-0.3	3.92	165.18	160.67	109.99	[illegible]	[illegible]	[illegible]	124.10	124.89
Sweden (46)	330.14	1.4	322.02	220.47	254.11	332.75	1.0	2.45	325.59	316.71	216.81	[illegible]	[illegible]	[illegible]	[illegible]	206.91
Switzerland (39)	241.71	1.2	235.76	161.41	186.04	179.70	1.0	1.55	238.86	232.35	159.00	[illegible]	[illegible]	[illegible]	171.34	171.94
Thailand (46)	173.76	0.3	169.49	116.04	133.74	170.15	0.3	1.97	173.23	168.51	115.36	[illegible]	[illegible]	[illegible]	130.15	134.21
United Kingdom (205)	224.39	-1.0	218.86	149.84	172.71	218.86	-0.8	4.27	226.74	220.56	150.99	[illegible]	[illegible]	[illegible]	193.41	193.41
USA (631)	260.22	-0.5	253.82	173.77	200.29	260.22	-0.5	2.22	261.49	254.36	174.13	[illegible]	[illegible]	[illegible]	200.26	200.26
Americas (778)	237.32	-0.4	231.48	158.48	182.66	199.49	-0.5	2.22	238.37	[illegible]	158.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (728)	201.66	0.0	196.70	134.67	155.22	175.27	-0.1	3.11	201.74	196.24	[illegible]	155.47	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (136)	285.98	1.2	278.94	190.98	220.12	249.79	0.9	2.34	282.52	274.81	188.13	217.72	[illegible]	[illegible]	[illegible]	226.46
Pacific Basin (832)	159.61	0.7	155.68	106.58	122.85	109.46	0.9	1.23	158.47	154.15	105.52	[illegible]	[illegible]	[illegible]	146.56	153.21
Euro-Pacific (1560)	177.03	0.4	172.67	118.22	136.26	134.37	0.5	2.12	176.40	171.59	117.47	[illegible]	[illegible]	[illegible]	[illegible]	159.36
North America (732)	253.73	-0.5	247.49	169.44	195.29	253.07	-0.5	2.23	254.88	247.94	169.73	[illegible]	[illegible]	[illegible]	195.81	195.81
Europe Ex. UK (523)	184.29	0.5	179.76	123.07	141.85	150.09	0.3	2.46	183.36	178.36	122.10	[illegible]	[illegible]	[illegible]	[illegible]	152.34
Pacific Ex. Japan (358)	280.75	2.0	273.84	187.49	216.09	244.73	2.0	3.05	275.14	267.64	183.22	[illegible]	[illegible]	[illegible]	[illegible]	229.72
World Ex. US (1752)	178.43	0.4	174.04	119.15	137.34	138.55	0.5	2.15	177.71	172.86	118.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2178)	201.65	0.1	196.69	134.66	155.21	169.03	0.2	1.97	201.39	195.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	170.19
World Ex. Japan (1901)	235.19	-0.1	229.40	157.06	181.02	221.97	-0.1	2.50	[illegible]	228.97	156.75	[illegible]	[illegible]	[illegible]	158.16	158.16
The World Index (2383)	203.70	0.0	198.69	136.03	156.73	172.58	0.1	2.19	203.66	198.10	135.52	156.94	[illegible]	[illegible]	170.24	170.24